



Annual financial statements

As at Dec. 31, 2017

Group investment funds

The group investment funds in this document are offered through contracts issued by The Canada Life Assurance Company, a subsidiary of The Great-West Life Assurance Company.

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Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (AGF) SF101

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (AGF) SF101

We have audited the accompanying financial statements of Canadian Equity Fund (AGF) SF101, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (AGF) SF101 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (AGF) SF101

(in Canadian \$ thousands)

Fund Manager: AGF Investments Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	3	28
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	10,835	12,418
Total investments	10,835	12,418
Total assets	\$ 10,838	\$ 12,446
Liabilities		
Overdrafts	\$ 21	\$ 28
Due to The Canada Life Assurance Company (note 8)	26	21
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	47	49
Net assets attributable to contractholders	\$ 10,791	\$ 12,397

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 495	\$ 2,123
Miscellaneous income (loss)	—	—
Total income	495	2,123
Expenses		
Management fees (note 8)	359	388
Other	36	38
Total expenses	395	426
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 100	\$ 1,697

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 12,397	\$ 12,702	
Contractholder deposits	136	362
Contractholder withdrawals	(1,842)	(2,364)
Increase (decrease) in net assets from operations attributable to contractholders	100	1,697
Change in net assets attributable to contractholders	(1,606)	(305)
Net assets attributable to contractholders - end of year	\$ 10,791	\$ 12,397

Canadian Equity Fund (AGF) SF101

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 100	\$ 1,697
Adjustments		
Realized (gains) losses	(642)	(512)
Unrealized (gains) losses	147	(1,611)
Gross proceeds of disposition of investments	2,556	2,836
Gross payments for the purchase of investments	(478)	(430)
Change in due from/to The Canada Life Assurance Company	5	22
Change in due from/to brokers	25	5
	<hr/> 1,713	<hr/> 2,007
Financing Activities		
Contractholder deposits	136	362
Contractholder withdrawals	<hr/> (1,842)	<hr/> (2,364)
	<hr/> (1,706)	<hr/> (2,002)
Net increase (decrease) in cash, short-term deposits and overdrafts	7	5
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (28)	<hr/> (33)
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ (21)	<hr/> <hr/> \$ (28)

Canadian Equity Fund (AGF) SF101

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
AGF Canadian Growth Equity Series O	118,730	7,784	10,835
Total Investments		7,784	10,835
Top 25 Holdings			
Security Description		% of Total	
Cash and short-term deposits		7.38%	
Real Matters Inc.		4.94%	
Royal Bank of Canada		4.77%	
Parex Resources Inc.		4.77%	
Bank of Nova Scotia		4.10%	
Canadian Pacific Railway Ltd.		2.98%	
CGI Group Inc.		2.85%	
Manulife Financial Corp.		2.80%	
Bank of Montreal		2.70%	
Suncor Energy Inc.		2.62%	
Yangarra Resources Ltd.		2.51%	
New Flyer Industries Inc.		2.47%	
Canadian Natural Resources Ltd.		2.46%	
Boyd Group Income Fund		2.29%	
Alimentation Couche-Tard Inc.		2.05%	
Interfor Corp.		1.96%	
Guardian Capital Group Ltd.		1.78%	
Spin Master Corp.		1.74%	
Tamarack Valley Energy Ltd.		1.72%	
Jamieson Wellness Inc.		1.67%	
Sun Life Financial Inc.		1.66%	
CES Energy Solutions Corp.		1.64%	
Canadian Tire Corp. Ltd.		1.54%	
TORC Oil & Gas Ltd.		1.52%	
Magna International Inc.		1.51%	

Canadian Equity Fund (AGF) SF101

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	350,118	415,887	485,325	606,959	647,631	7,986	9,384	9,557	12,170	13,463
Generations I	47,859	52,708	47,803	118,567	69,841	487	530	418	1,053	641
Generations II	27,299	31,073	34,709	32,467	29,457	244	276	269	256	241
Generations Core	16,018	17,067	15,866	13,658	13,903	151	158	128	112	117
Group	21,016	30,285	35,227	47,530	35,088	—	—	—	—	—
75/75 guarantee policy	17,088	12,227	18,774	15,596	15,784	220	155	207	174	182
75/100 guarantee policy	34,694	39,743	53,355	111,266	20,280	441	498	582	1,232	232
100/100 guarantee policy	29,795	31,895	48,023	9,227	9,410	369	391	514	101	106
PS1 75/75 guarantee policy	2,380	2,333	—	—	—	31	30	—	—	—
PS1 75/100 guarantee policy	8,705	2,621	—	—	—	112	33	—	—	—
PS1 100/100 guarantee policy	8,066	4,763	—	—	—	102	59	—	—	—
PS2 75/75 guarantee policy	6,453	2,977	16,757	7,186	—	97	43	202	85	—
PS2 75/100 guarantee policy	5,046	11,983	13,063	5,403	5,529	76	172	157	64	65

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	22.81	22.56	19.69	20.05	20.79	0.25	2.87
Generations I	10.19	10.05	8.74	8.88	9.18	0.14	1.31
Generations II	8.96	8.87	7.74	7.89	8.19	0.09	1.13
Generations Core	9.41	9.27	8.06	8.17	8.43	0.14	1.21
Group	—	—	—	—	—	—	—
75/75 guarantee policy	12.89	12.70	11.03	11.18	11.54	0.19	1.67
75/100 guarantee policy	12.70	12.53	10.91	11.08	11.45	0.17	1.62
100/100 guarantee policy	12.39	12.26	10.71	10.91	11.32	0.13	1.55
PS1 75/75 guarantee policy	13.02	12.74	—	—	—	0.28	1.20
PS1 75/100 guarantee policy	12.86	12.61	—	—	—	0.25	1.17
PS1 100/100 guarantee policy	12.62	12.42	—	—	—	0.20	1.13
PS2 75/75 guarantee policy	15.01	14.32	12.05	11.84	—	0.69	2.27
PS2 75/100 guarantee policy	15.01	14.32	12.05	11.84	11.83	0.69	2.27

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (AGF) SF101 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (AGF) SF101
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (AGF) SF101

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (AGF) SF101

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.66	3.64	3.60	3.66	3.64
Generations I	3.38	3.36	3.31	3.38	3.37
Generations II	3.71	3.69	3.65	3.72	3.70
Generations Core	3.22	3.19	3.16	3.22	3.20
75/75 guarantee policy	3.21	3.21	3.17	3.22	3.21
75/100 guarantee policy	3.38	3.37	3.34	3.38	3.37
100/100 guarantee policy	3.71	3.71	3.68	3.71	3.70
PS1 75/75 guarantee policy	2.53	2.53	—	—	—
PS1 75/100 guarantee policy	2.74	2.75	—	—	—
PS1 100/100 guarantee policy	3.08	3.08	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	4.19	3.68	12.80	33.30	8.48

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (BISSETT) SF103

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Bissett) SF103

We have audited the accompanying financial statements of Canadian Equity Fund (Bissett) SF103, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Bissett) SF103 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Bissett) SF103

(in Canadian \$ thousands)

Fund Manager: Bissett Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 30	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	144	37
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>115,456</u>	<u>106,958</u>
Total investments	<u>115,456</u>	<u>106,958</u>
Total assets	<u><u>\$ 115,630</u></u>	<u><u>\$ 106,995</u></u>
Liabilities		
Overdrafts	\$ —	\$ 75
Due to The Canada Life Assurance Company (note 8)	76	53
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>76</u>	<u>128</u>
Net assets attributable to contractholders	<u><u>\$ 115,554</u></u>	<u><u>\$ 106,867</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 7,439	\$ 21,572
Miscellaneous income (loss)	—	—
Total income	<u>7,439</u>	<u>21,572</u>
Expenses		
Management fees (note 8)	1,510	1,217
Other	150	121
Total expenses	<u>1,660</u>	<u>1,338</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 5,779</u></u>	<u><u>\$ 20,234</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 106,867	\$ 94,479	
Contractholder deposits	14,867	9,600
Contractholder withdrawals	(11,959)	(17,446)
Increase (decrease) in net assets from operations attributable to contractholders	5,779	20,234
Change in net assets attributable to contractholders	8,687	12,388
Net assets attributable to contractholders - end of year	<u><u>\$ 115,554</u></u>	<u><u>\$ 106,867</u></u>

Canadian Equity Fund (Bissett) SF103

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,779	\$ 20,234
Adjustments		
Realized (gains) losses	(2,382)	(3,281)
Unrealized (gains) losses	(3,204)	(16,165)
Gross proceeds of disposition of investments	8,493	14,388
Gross payments for the purchase of investments	(9,552)	(5,395)
Change in distribution income of underlying mutual fund	(1,853)	(2,126)
Change in due from/to The Canada Life Assurance Company	23	8
Change in due from/to brokers	(107)	231
	<hr/> (2,803)	<hr/> 7,894
Financing Activities		
Contractholder deposits	14,867	9,600
Contractholder withdrawals	<hr/> (11,959)	<hr/> (17,446)
	<hr/> 2,908	<hr/> (7,846)
Net increase (decrease) in cash, short-term deposits and overdrafts	105	48
Cash, short-term deposits and overdrafts, beginning of year	(75)	(123)
Cash, short-term deposits and overdrafts, end of year	\$ 30	\$ (75)

Canadian Equity Fund (Bissell) SF103

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Franklin Bissell Canadian Equity Fund Series O	741,481	82,663	115,456
Total Investments		82,663	115,456

Top 25 Holdings

Security Description	% of Total
Brookfield Asset Management Inc. Class A	6.74%
Canadian National Railway Co.	5.47%
Royal Bank of Canada	5.24%
The Toronto-Dominion Bank	5.06%
Restaurant Brands International Inc.	4.74%
Canadian Imperial Bank of Commerce	4.74%
Bank of Montreal	4.19%
The Bank of Nova Scotia	3.90%
Canadian Pacific Railway Ltd.	3.79%
Onex Corp.	3.08%
Enbridge Inc.	2.77%
Franco-Nevada Corp.	2.73%
Alimentation Couche-Tard Inc. Class B	2.60%
Dollarama Inc.	2.54%
Metro Inc. Class A	2.41%
Saputo Inc.	2.29%
Toromont Industries Ltd.	2.27%
Power Corp. of Canada*	2.08%
Enghouse Systems Ltd.	1.89%
Stantec Inc.	1.78%
ATCO Ltd. Class I	1.73%
TELUS Corp.	1.71%
Thomson Reuters Corp.	1.67%
TransCanada Corp.	1.52%
Inter Pipeline Ltd.	1.52%

*The issuer of this security is a related company to the issuer of the fund.

Canadian Equity Fund (Bissett) SF103

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	419,600	437,314	449,106	585,322	620,165	12,930	13,051	11,194	16,224	15,879
Generations I	209,737	191,416	201,527	296,644	236,917	3,737	3,299	2,898	4,738	3,492
Generations II	52,655	73,824	73,113	114,566	95,579	830	1,129	935	1,631	1,258
Generations Core	122,437	127,384	100,182	183,299	155,597	2,007	2,017	1,321	2,680	2,096
Group	163,062	213,230	222,020	268,083	266,058	—	—	—	—	—
75/75 guarantee policy	249,752	183,207	189,285	196,643	116,742	4,707	3,335	2,870	3,306	1,808
75/100 guarantee policy	580,176	508,865	524,106	560,847	360,069	10,784	9,151	7,862	9,346	5,537
100/100 guarantee policy	360,337	351,743	426,913	424,786	204,840	6,569	6,217	6,309	6,988	3,117
PS1 75/75 guarantee policy	48,958	37,729	—	—	—	831	614	—	—	—
PS1 75/100 guarantee policy	182,429	152,637	32,787	8,351	647	3,061	2,462	438	123	9
PS1 100/100 guarantee policy	154,568	104,191	4,715	—	—	2,544	1,654	62	—	—
PS2 75/75 guarantee policy	55,043	42,150	38,030	30,854	—	1,071	768	559	488	—
PS2 75/100 guarantee policy	26,227	18,199	21,673	39,006	18,274	511	332	319	617	258
PS2 100/100 guarantee policy	19,029	20,214	30,381	32,022	18,856	370	369	447	507	267

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	30.82	29.84	24.92	27.72	25.61	0.98	4.92
Generations I	17.82	17.24	14.38	15.97	14.74	0.58	2.86
Generations II	15.77	15.29	12.78	14.23	13.16	0.48	2.51
Generations Core	16.39	15.83	13.19	14.62	13.47	0.56	2.64
Group	—	—	—	—	—	—	—
75/75 guarantee policy	18.85	18.20	15.16	16.81	15.49	0.65	3.04
75/100 guarantee policy	18.59	17.98	15.00	16.66	15.38	0.61	2.98
100/100 guarantee policy	18.23	17.68	14.78	16.45	15.21	0.55	2.90
PS1 75/75 guarantee policy	16.97	16.28	—	—	—	0.69	1.63
PS1 75/100 guarantee policy	16.78	16.13	13.37	14.76	13.54	0.65	2.76
PS1 100/100 guarantee policy	16.46	15.87	13.20	—	—	0.59	2.67
PS2 75/75 guarantee policy	19.45	18.21	14.71	15.82	—	1.24	3.50
PS2 75/100 guarantee policy	19.46	18.23	14.72	15.83	14.13	1.23	3.51
PS2 100/100 guarantee policy	19.47	18.23	14.72	15.83	14.14	1.24	3.51

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (Bissett) SF103 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Bissett) SF103
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (Bissett) SF103
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (Bissett) SF103
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (Bissett) SF103

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (Bissett) SF103

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.38	3.37	3.36	3.39	3.38
Generations I	3.27	3.26	3.25	3.28	3.28
Generations II	3.50	3.48	3.47	3.50	3.49
Generations Core	3.11	3.08	3.09	3.11	3.12
75/75 guarantee policy	3.10	3.09	3.09	3.11	3.12
75/100 guarantee policy	3.27	3.26	3.25	3.28	3.28
100/100 guarantee policy	3.49	3.48	3.47	3.50	3.51
PS1 75/75 guarantee policy	2.42	2.42	—	—	—
PS1 75/100 guarantee policy	2.64	2.64	2.64	2.65	2.64
PS1 100/100 guarantee policy	2.97	2.97	2.96	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	7.41	5.38	13.79	9.23	10.58

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (BISSETT) SF104

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Bissett) SF104

We have audited the accompanying financial statements of Balanced Fund (Bissett) SF104, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Bissett) SF104 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Bissett) SF104

(in Canadian \$ thousands)

Fund Manager: Bissett Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	89	226
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>276,456</u>	279,806
Total investments	<u>276,456</u>	279,806
Total assets	<u><u>\$ 276,545</u></u>	<u><u>\$ 280,032</u></u>
Liabilities		
Overdrafts	\$ 99	\$ 310
Due to The Canada Life Assurance Company (note 8)	71	84
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>170</u>	<u>394</u>
Net assets attributable to contractholders	<u><u>\$ 276,375</u></u>	<u><u>\$ 279,638</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 18,818	\$ 34,338
Miscellaneous income (loss)	—	—
Total income	<u>18,818</u>	34,338
Expenses		
Management fees (note 8)	7,524	7,041
Other	693	654
Total expenses	<u>8,217</u>	7,695
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 10,601</u>	<u>\$ 26,643</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 279,638	\$ 263,597	
Contractholder deposits	32,160	17,953
Contractholder withdrawals	(46,024)	(28,555)
Increase (decrease) in net assets from operations attributable to contractholders	10,601	26,643
Change in net assets attributable to contractholders	(3,263)	16,041
Net assets attributable to contractholders - end of year	<u><u>\$ 276,375</u></u>	<u><u>\$ 279,638</u></u>

Balanced Fund (Bissett) SF104

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 10,601	\$ 26,643
Adjustments		
Realized (gains) losses	(7,282)	(3,991)
Unrealized (gains) losses	(3,611)	(22,106)
Gross proceeds of disposition of investments	34,657	27,405
Gross payments for the purchase of investments	(12,490)	(9,248)
Change in distribution income of underlying mutual fund	(7,924)	(8,241)
Change in due from/to The Canada Life Assurance Company	(13)	127
Change in due from/to brokers	137	112
	14,075	10,701
Financing Activities		
Contractholder deposits	32,160	17,953
Contractholder withdrawals	(46,024)	(28,555)
	(13,864)	(10,602)
Net increase (decrease) in cash, short-term deposits and overdrafts	211	99
Cash, short-term deposits and overdrafts, beginning of year	(310)	(409)
Cash, short-term deposits and overdrafts, end of year	\$ (99)	\$ (310)

Balanced Fund (Bissett) SF104

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Franklin Bissett Canadian Balanced Fund Series O	5,834,858	219,640	276,456
Total Investments		219,640	276,456

Top Holdings

Underlying fund: Franklin Bissett Core Plus Bond Fund

Security Description	% of Total
Province of Alberta 2.35% 06-01-2025	2.33%
United States Treasury 2.25% 11-15-2027	2.13%
Province of New Brunswick 5.50% 01-27-2034	1.36%
Province of Manitoba 4.40% 09-05-2025	1.34%
City of Toronto 3.80% 12-13-2042	1.20%

Underlying fund: Franklin Bissett Canadian Equity Fund

Security Description	% of Total
Brookfield Asset Management Inc. Class A	6.74%
Canadian National Railway Co.	5.47%
Royal Bank of Canada	5.24%
The Toronto-Dominion Bank	5.06%
Restaurant Brands International Inc.	4.74%

Underlying fund: Franklin U.S. Rising Dividends

Security Description	% of Total
Roper Technologies Inc.	4.84%
Microsoft Corp.	4.73%
Albemarle Corp.	4.54%
Honeywell International Inc.	3.38%
Stryker Corp.	3.34%

Balanced Fund (Bissett) SF104

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Top Holdings (continued)			

Underlying fund: Franklin Bissett Small Cap Fund

Security Description	% of Total
Indigo Books & Music Inc.	7.44%
Equitable Group Inc.	5.79%
Trican Well Service Ltd.	5.62%
Leon's Furniture Ltd.	5.26%
Transat A.T. Inc.	4.88%

Underlying fund: Franklin Bissett Microcap Fund

Security Description	% of Total
Indigo Books & Music Inc.	7.21%
Total Energy Services Inc.	4.86%
Clarke Inc.	4.68%
Transat A.T. Inc.	4.67%
Blackline Safety Corp.	4.62%

Underlying fund: Franklin ActiveQuant U.S. Fund(Formerly- Franklin Bissett All Canadian Focus Fund)

Security Description	% of Total
Visa Inc. Class A	3.25%
Northrop Grumman Corp.	3.09%
Constellation Brands Inc. Class A	3.03%
NextEra Energy Inc.	2.93%
The Allstate Corp.	2.92%

Underlying fund: Franklin Bissett Canadian Dividend Fund

Security Description	% of Total
Canadian Imperial Bank of Commerce	6.65%
The Toronto-Dominion Bank	6.49%
Royal Bank of Canada	6.31%
Bank of Montreal	4.74%
The Bank of Nova Scotia	4.64%

Balanced Fund (Bissett) SF104

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Top Holdings (continued)			

Underlying fund: Franklin Bissett Canadian Short Term Bond Fund

Security Description	% of Total
Province of Quebec Floating Rate 10-13-2024	2.89%
Province of Ontario 4.00% 06-02-2021	2.79%
Province of Ontario 3.15% 06-02-2022	2.27%
United States Treasury 2.00% 11-30-2022	1.84%
Province of Alberta 2.35% 06-01-2025	1.62%

Underlying fund: Franklin Strategic Income Fund

Security Description	% of Total
PowerShares Senior Loan Portfolio ETF	4.17%
iShares iBoxx High Yield Corporate Bond ETF	1.05%
Government of Argentina 5.00% 12-20-2022	0.10%
Linn Energy Inc.	0.10%
Halcon Resources Corp.	0.09%

Underlying fund: Franklin Mutual Global Discovery Fund

Security Description	% of Total
Royal Dutch Shell PLC Class A	2.34%
NN Group NV	2.30%
Novartis AG ADR	2.29%
Time Warner Inc.	2.20%
Medtronic PLC	2.16%

Underlying fund: Templeton EAFE Developed Markets Fund

Security Description	% of Total
Ontex Group NV	3.09%
Suntory Beverage & Food Ltd.	2.67%
BP PLC	2.62%
BAE Systems PLC	2.55%
Aegon NV	2.40%

Balanced Fund (Bissett) SF104

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Top Holdings (continued)			

Underlying fund: Templeton Emerging Markets Fund

Security Description	% of Total
Samsung Electronics Co. Ltd.	7.78%
Naspers Ltd. N	6.36%
Brilliance China Automotive Holdings Ltd.	6.18%
Taiwan Semiconductor Manufacturing Co. Ltd.	6.05%
Alibaba Group Holding Ltd. ADR	4.01%

Underlying fund: Templeton Global Bond Fund

Security Description	% of Total
Government of Indonesia Floating Rate 8.375% 03-15-2024	3.75%
Government of Korea Treasury 1.375% 09-10-2021	3.64%
Government of India 9.15% 11-14-2024	2.80%
Government of Columbia 7.75% 09-18-2030 Class B	2.73%
Government of Argentina 15.50% 10-17-2026	2.62%

Underlying fund: Templeton Global Smaller Companies Fund

Security Description	% of Total
Techtronic Industries Co. Ltd.	2.06%
The Thule Group AB	1.95%
Columbia Sportswear Co.	1.94%
Hillenbrand Inc.	1.92%
Winnebago Industries Inc.	1.91%

Underlying fund: Franklin Bissett Corporate Bond Fund

Security Description	% of Total
407 International Inc. 6.47% 07-27-2029	2.03%
Apple Inc. 3.00% 02-09-2024	1.57%
Hydro One Inc. 4.89% 03-13-2037	1.33%
The Toronto-Dominion Bank 9.15% 05-26-2025	1.25%
Royal Bank of Canada Floating Rate 3.31% 01-20-2026	1.21%

Balanced Fund (Bissett) SF104

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Top Holdings (continued)			

Underlying fund: Franklin ActiveQuant U.S. Fund(Formerly- Franklin Bissett All Canadian Focus Fund)

Security Description	% of Total
Visa Inc. Class A	3.25%
Northrop Grumman Corp.	3.09%
Constellation Brands Inc. Class A	3.03%
NextEra Energy Inc.	2.93%
The Allstate Corp.	2.92%

Balanced Fund (Bissett) SF104

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	1,463,337	1,621,836	1,880,449	2,429,364	2,200,109	30,239	32,370	34,052	46,037	40,069
Generations I	2,944,084	3,484,254	3,799,975	3,791,597	2,701,271	44,396	50,665	50,051	52,177	35,667
Generations II	361,998	434,930	485,968	497,202	352,117	5,166	5,995	6,077	6,507	4,429
Generations Core	407,287	425,759	485,160	717,574	389,660	5,939	5,983	6,172	9,532	4,964
Group	365,035	702,527	815,236	922,130	1,045,153	—	—	—	—	—
75/75 guarantee policy	1,410,161	1,289,324	1,343,540	1,618,002	1,138,648	22,406	19,743	18,625	23,422	15,806
75/100 guarantee policy	7,690,195	7,212,193	8,048,632	8,943,421	6,557,706	121,569	109,939	111,133	129,018	90,769
100/100 guarantee policy	774,393	775,552	740,822	644,315	402,478	12,058	11,664	10,109	9,201	5,524
PS1 75/75 guarantee policy	177,764	180,473	11,491	5,208	—	2,614	2,540	145	68	—
PS1 75/100 guarantee policy	1,028,583	977,458	134,788	73,532	27,514	15,001	13,669	1,698	962	344
PS1 100/100 guarantee policy	134,620	142,501	—	—	—	1,937	1,971	—	—	—
PS2 75/75 guarantee policy	92,807	107,707	122,835	117,926	47,462	1,565	1,697	1,699	1,652	618
PS2 75/100 guarantee policy	168,756	158,843	170,769	367,467	28,732	2,846	2,504	2,363	5,149	374
PS2 100/100 guarantee policy	9,754	10,610	7,124	132,489	48,027	165	167	99	1,857	626

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	20.66	19.96	18.11	18.95	18.21	0.70	1.85
Generations I	15.08	14.54	13.17	13.76	13.20	0.54	1.37
Generations II	14.27	13.78	12.51	13.09	12.58	0.49	1.27
Generations Core	14.58	14.05	12.72	13.28	12.74	0.53	1.33
Group	—	—	—	—	—	—	—
75/75 guarantee policy	15.89	15.31	13.86	14.48	13.88	0.58	1.45
75/100 guarantee policy	15.81	15.24	13.81	14.43	13.84	0.57	1.43
100/100 guarantee policy	15.57	15.04	13.65	14.28	13.72	0.53	1.39
PS1 75/75 guarantee policy	14.70	14.08	12.66	13.13	—	0.62	1.42
PS1 75/100 guarantee policy	14.58	13.98	12.60	13.09	12.49	0.60	1.38
PS1 100/100 guarantee policy	14.39	13.83	—	—	—	0.56	1.02
PS2 75/75 guarantee policy	16.86	15.76	13.83	14.01	13.02	1.10	1.93
PS2 75/100 guarantee policy	16.87	15.76	13.84	14.01	13.03	1.11	1.92
PS2 100/100 guarantee policy	16.86	15.76	13.84	14.01	13.03	1.10	1.92

Balanced Fund (Bissett) SF104

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Bissett) SF104 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Balanced Fund (Bissett) SF104
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Balanced Fund (Bissett) SF104

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.31	3.30	3.29	3.30	3.32
Generations I	3.14	3.13	3.13	3.14	3.16
Generations II	3.31	3.30	3.30	3.30	3.33
Generations Core	3.09	3.08	3.07	3.08	3.11
75/75 guarantee policy	3.08	3.07	3.08	3.08	3.10
75/100 guarantee policy	3.14	3.13	3.13	3.14	3.16
100/100 guarantee policy	3.30	3.29	3.30	3.30	3.32
PS1 75/75 guarantee policy	2.41	2.41	2.41	2.41	—
PS1 75/100 guarantee policy	2.57	2.57	2.57	2.57	2.57
PS1 100/100 guarantee policy	2.79	2.79	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	4.47	3.56	3.19	3.23	1.87

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
SMALL CAP EQUITY FUND (BISSETT) SF105

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Small Cap Equity Fund (Bissett) SF105

We have audited the accompanying financial statements of Small Cap Equity Fund (Bissett) SF105, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Small Cap Equity Fund (Bissett) SF105 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Small Cap Equity Fund (Bissett) SF105

(in Canadian \$ thousands)

Fund Manager: Bissett Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	43	99
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	66,372	90,536
Total investments	66,372	90,536
Total assets	\$ 66,415	\$ 90,635
 Liabilities		
Overdrafts	\$ 92	\$ 64
Due to The Canada Life Assurance Company (note 8)	77	103
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	169	167
Net assets attributable to contractholders	\$ 66,246	\$ 90,468

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ (924)	\$ 21,829	—
Miscellaneous income (loss)	—	—	—
Total income	(924)	21,829	—
Expenses			
Management fees (note 8)	2,487	2,525	—
Other	233	250	—
Total expenses	2,720	2,775	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ (3,644)	\$ 19,054	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 90,468	\$ 90,468	\$ 67,528	—
Contractholder deposits	3,953	13,419	—
Contractholder withdrawals	(24,531)	(9,533)	—
Increase (decrease) in net assets from operations attributable to contractholders	(3,644)	19,054	—
Change in net assets attributable to contractholders	(24,222)	22,940	—
Net assets attributable to contractholders - end of year	\$ 66,246	\$ 90,468	—

Small Cap Equity Fund (Bissett) SF105

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ (3,644)	\$ 19,054
Adjustments		
Realized (gains) losses	(2,851)	—
Unrealized (gains) losses	8,608	(20,698)
Gross proceeds of disposition of investments	30,416	12,564
Gross payments for the purchase of investments	(7,176)	(13,699)
Change in distribution income of underlying mutual fund	(4,833)	(1,130)
Change in due from/to The Canada Life Assurance Company	(26)	92
Change in due from/to brokers	56	66
	20,550	(3,751)
Financing Activities		
Contractholder deposits	3,953	13,419
Contractholder withdrawals	(24,531)	(9,533)
	(20,578)	3,886
Net increase (decrease) in cash, short-term deposits and overdrafts	(28)	135
Cash, short-term deposits and overdrafts, beginning of year	(64)	(199)
Cash, short-term deposits and overdrafts, end of year	\$ (92)	\$ (64)

Small Cap Equity Fund (Bissett) SF105

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Franklin Bissett Small Cap Fund Ser O	819,610	61,680	66,372
Total Investments		61,680	66,372

Top 25 Holdings

Security Description	% of Total
Indigo Books & Music Inc.	7.44%
Equitable Group Inc.	5.79%
Trican Well Service Ltd.	5.62%
Leon's Furniture Ltd.	5.26%
Transat A.T. Inc.	4.88%
Transcontinental Inc. Class A	4.73%
Total Energy Services Inc.	4.53%
AGF Management Ltd.	3.79%
Richelieu Hardware Ltd.	3.57%
The Westaim Corp.	3.32%
Xtreme Drilling Corp.	2.91%
HNZ Group Inc.	2.87%
Major Drilling Group International Inc.	2.84%
Reitmans (Canada) Ltd. Class A	2.55%
Horizon North Logistics Inc.	2.35%
Winpak Ltd.	2.21%
Advantage Oil & Gas Ltd.	1.95%
Nuvista Energy Ltd.	1.90%
Trinidad Drilling Ltd.	1.82%
Delphi Energy Corp.	1.77%
Akita Drilling Ltd. Class A	1.67%
Pieridae Energy Ltd.	1.58%
BlackPearl Resources Inc.	1.56%
Corby Spirit and Wine Ltd. Class A	1.46%
Exco Technologies Ltd.	1.45%

Small Cap Equity Fund (Bissett) SF105

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	761,755	925,308	1,033,299	1,472,951	1,844,142	27,375	34,181	29,974	53,828	71,667
Generations I	257,492	403,025	294,671	505,166	648,543	3,370	5,422	3,113	6,723	9,179
Generations II	205,052	242,292	267,924	352,716	372,088	2,926	3,568	3,110	5,178	5,831
Generations Core	230,035	225,500	235,006	349,382	312,692	3,489	3,508	2,864	5,353	5,083
Group	229,456	428,647	476,176	567,805	655,383	—	—	—	—	—
75/75 guarantee policy	236,929	259,146	278,646	309,601	195,909	4,105	4,605	3,880	5,419	1,381
75/100 guarantee policy	563,383	696,565	654,259	759,477	615,284	9,576	12,170	8,976	13,127	5,083
100/100 guarantee policy	155,730	338,066	262,679	237,510	205,735	2,564	5,743	3,517	4,022	1,942
PS1 75/75 guarantee policy	100,472	114,183	10,779	9,887	7,705	1,402	1,629	120	138	114
PS1 75/100 guarantee policy	208,196	265,563	42,452	20,174	8,024	2,870	3,750	469	280	118
PS1 100/100 guarantee policy	69,957	167,171	1,640	—	—	942	2,316	18	—	—
PS2 75/75 guarantee policy	26,191	31,290	26,918	29,399	14,177	436	516	336	446	220
PS2 75/100 guarantee policy	28,543	37,877	24,190	34,289	29,852	475	624	302	519	463
PS2 100/100 guarantee policy	13,221	14,328	14,933	11,910	11,072	220	236	186	180	172

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	35.94	36.94	29.01	36.54	38.86	(1.00)	7.93
Generations I	13.09	13.45	10.56	13.31	14.15	(0.36)	2.89
Generations II	14.27	14.73	11.61	14.68	15.67	(0.46)	3.12
Generations Core	15.17	15.56	12.19	15.32	16.26	(0.39)	3.37
Group	—	—	—	—	—	—	—
75/75 guarantee policy	17.33	17.77	13.92	17.50	18.57	(0.44)	3.85
75/100 guarantee policy	17.00	17.47	13.72	17.28	18.38	(0.47)	3.75
100/100 guarantee policy	16.46	16.99	13.39	16.93	18.08	(0.53)	3.60
PS1 75/75 guarantee policy	13.96	14.27	11.14	13.95	14.76	(0.31)	3.13
PS1 75/100 guarantee policy	13.78	14.12	11.05	13.87	14.70	(0.34)	3.07
PS1 100/100 guarantee policy	13.47	13.85	10.88	—	—	(0.38)	2.97
PS2 75/75 guarantee policy	16.65	16.50	12.49	15.16	15.54	0.15	4.01
PS2 75/100 guarantee policy	16.64	16.48	12.48	15.15	15.52	0.16	4.00
PS2 100/100 guarantee policy	16.65	16.49	12.48	15.15	15.53	0.16	4.01

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Small Cap Equity Fund (Bissett) SF105 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Small Cap Equity Fund (Bissett) SF105
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Small Cap Equity Fund (Bissett) SF105
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Small Cap Equity Fund (Bissett) SF105
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Small Cap Equity Fund (Bissett) SF105
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Small Cap Equity Fund (Bissett) SF105

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Small Cap Equity Fund (Bissett) SF105

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.71	3.69	3.70	3.70	3.72
Generations I	3.71	3.70	3.69	3.71	3.73
Generations II	4.10	4.08	4.08	4.09	4.12
Generations Core	3.48	3.47	3.47	3.48	3.51
75/75 guarantee policy	3.49	3.47	3.48	3.48	3.51
75/100 guarantee policy	3.71	3.69	3.69	3.70	3.73
100/100 guarantee policy	4.11	4.09	4.08	4.08	4.12
PS1 75/75 guarantee policy	3.14	3.13	3.13	3.13	3.14
PS1 75/100 guarantee policy	3.36	3.35	3.35	3.35	3.36
PS1 100/100 guarantee policy	3.76	3.74	3.73	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	9.31	16.01	3.29	5.69	13.36

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (BONA VISTA) SF107

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Bona Vista) SF107

We have audited the accompanying financial statements of Balanced Fund (Bona Vista) SF107, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Bona Vista) SF107 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Bona Vista) SF107

(in Canadian \$ thousands)

Fund Manager: BonaVista Asset Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	6
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>4,752</u>	<u>5,102</u>
Total investments	<u>4,752</u>	<u>5,102</u>
Total assets	<u><u>\$ 4,752</u></u>	<u><u>\$ 5,108</u></u>
Liabilities		
Overdrafts	\$ 10	\$ 6
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>10</u>	<u>6</u>
Net assets attributable to contractholders	<u><u>\$ 4,742</u></u>	<u><u>\$ 5,102</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 479	\$ 464
Miscellaneous income (loss)	—	—
Total income	<u>479</u>	<u>464</u>
Expenses		
Management fees (note 8)	39	47
Other	3	5
Total expenses	<u>42</u>	<u>52</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 437</u>	<u>\$ 412</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 5,102	\$ 6,487	
Contractholder deposits	—	695
Contractholder withdrawals	(797)	(2,492)
Increase (decrease) in net assets from operations attributable to contractholders	437	412
Change in net assets attributable to contractholders	(360)	(1,385)
Net assets attributable to contractholders - end of year	<u><u>\$ 4,742</u></u>	<u><u>\$ 5,102</u></u>

Balanced Fund (Bona Vista) SF107

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 437	\$ 412
Adjustments		
Realized (gains) losses	4	243
Unrealized (gains) losses	1,079	(527)
Gross proceeds of disposition of investments	858	2,540
Gross payments for the purchase of investments	(28)	(691)
Change in distribution income of underlying mutual fund	(1,563)	(180)
Change in due from/to The Canada Life Assurance Company	—	(1)
Change in due from/to brokers	6	9
	<hr/> 793	<hr/> 1,805
Financing Activities		
Contractholder deposits	—	695
Contractholder withdrawals	(797)	(2,492)
	<hr/> (797)	<hr/> (1,797)
Net increase (decrease) in cash, short-term deposits and overdrafts	(4)	8
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (6)	<hr/> (14)
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ (10)	<hr/> \$ (6)

Balanced Fund (Bona Vista) SF107

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Bona Vista Balanced Fund Pooled	485,204	6,080	4,752
Total Investments		6,080	4,752

Balanced Fund (Bona Vista) SF107

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	143,264	168,753	231,859	245,806	200,839	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (Bona Vista) SF107

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Bona Vista) SF107 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Bona Vista) SF107

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Bona Vista) SF107
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Bona Vista) SF107
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Bona Vista) SF107
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Bona Vista) SF107

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Bona Vista) SF107
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (Bona Vista) SF107
Notes to the Financial Statements
(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (Bona Vista) SF107

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Balanced Fund (Bona Vista) SF107

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
FAR EAST EQUITY FUND S-038MF

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Far East Equity Fund S-038MF

We have audited the accompanying financial statements of Far East Equity Fund S-038MF, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Far East Equity Fund S-038MF as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Far East Equity Fund S-038MF

(in Canadian \$ thousands)

Fund Manager: Canada Life Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 1,027	\$ 397
Investment income due and accrued	7	3
Due from The Canada Life Assurance Company (note 7)	21	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	53,195	29,426
Investment fund units	—	—
Total investments	53,195	29,426
Total assets	\$ 54,250	\$ 29,826
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	30
Due to brokers	—	48
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	78
Net assets attributable to contractholders	\$ 54,250	\$ 29,748

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 10,409	\$ (634)	
Miscellaneous income (loss)	(79)	(64)	
Total income		10,330	(698)
Expenses			
Management fees (note 7)	1,183	940	
Transaction costs	239	255	
Withholding taxes	47	50	
Other	110	83	
Total expenses		1,579	1,328
Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 8,751	\$ (2,026)	

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 29,748	\$ 40,371	
Contractholder deposits	21,719	1,441	
Contractholder withdrawals	(5,968)	(10,038)	
Increase (decrease) in net assets from operations attributable to contractholders	8,751	(2,026)	
Change in net assets attributable to contractholders	24,502	(10,623)	
Net assets attributable to contractholders - end of year	\$ 54,250	\$ 29,748	

Far East Equity Fund S-038MF

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 8,751	\$ (2,026)
Adjustments		
Realized (gains) losses	(5,712)	2,719
Unrealized (gains) losses	(3,822)	(1,449)
Gross proceeds of disposition of investments	54,132	62,821
Gross payments for the purchase of investments	(68,367)	(55,017)
Change in investment income due and accrued	(4)	54
Change in due from/to The Canada Life Assurance Company	(51)	35
Change in due from/to brokers	(48)	48
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(15,121)	7,185
Financing Activities		
Contractholder deposits	21,719	1,441
Contractholder withdrawals	(5,968)	(10,038)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	15,751	(8,597)
Net increase (decrease) in cash, short-term deposits and overdrafts	630	(1,412)
Cash, short-term deposits and overdrafts, beginning of year	397	1,809
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	\$ 1,027	\$ 397
Supplementary cash flow information		
Dividends received	\$ 870	\$ 795

Far East Equity Fund S-038MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock			
Australia			
AGL Energy Ltd.	8,358	226	200
Australia and New Zealand Banking Group	22,591	634	635
Bega Cheese Ltd.	18,043	124	128
Bellamy's Australia Ltd.	25,068	311	257
BHP Billiton Ltd.	27,438	690	795
Challenger Ltd.	59,654	721	820
Commonwealth Bank of Australia	13,598	1,094	1,069
Costa Group Holdings Ltd.	46,890	256	303
CSL Ltd.	3,723	461	516
Macquarie Group Ltd.	5,498	540	536
Mineral Resources Ltd.	13,064	240	271
National Australia Bank Ltd.	20,877	631	604
Newcrest Mining Limited	8,877	209	198
Oil Search Ltd.	17,762	130	136
Origin Energy Ltd.	28,779	208	266
Rio Tinto Ltd.	3,014	195	224
Santos Ltd.	27,327	127	146
Scentre Group	199,282	834	818
Treasury Wine Estates Ltd.	61,493	892	962
Wesfarmers Ltd.	11,405	504	497
Westpac Banking Corp.	25,691	811	789
Woodside Petroleum Ltd.	3,298	105	107
Woolworths Group Ltd.	11,024	293	295
WorleyParsons Ltd.	15,507	186	218
Bermuda			
China Animal Healthcare Ltd.	317,000	321	-
China Gas Holdings Ltd.	124,000	348	430
Yue Yuen Industrials Holdings Ltd.	27,500	138	136
Cayman Islands			
Alibaba Group Holding Ltd.	6,342	985	1,376
Baidu Inc. ADR	1,182	301	348
China Mengniu Dairy Co. Ltd.	48,000	166	180
China Yuhua Education Corp. Ltd.	426,000	265	268
CK Hutchison Holdings Ltd.	21,000	332	332
Consun Pharmaceutical Group Ltd.	48,000	57	55

Far East Equity Fund S-038MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Global Common Stock (continued)			
Cayman Islands (continued)			
ENN Energy Holdings Ltd.	38,000	329	339
FIT Hon Teng Ltd.	121,000	106	103
Gourmet Master Co. Ltd.	27,515	406	506
Greentown Service Group Co. Ltd.	332,000	232	327
JD.com Inc.	5,048	265	263
JNBY Design Ltd.	145,000	239	222
Regina Miracle International Holdings Ltd.	138,000	165	171
Sino Biopharmaceutical Ltd.	69,000	139	154
TAL Education Group	7,394	305	276
Tencent Holdings Ltd.	41,200	1,470	2,680
Tingyi (Cayman Islands) Holding Corp.	187,143	404	458
Uni-President China Holdings Ltd.	106,000	121	112
Vinda International Holdings Ltd.	21,000	55	53
WH Group Ltd.	105,500	143	150
Wynn Macau Ltd.	39,600	159	157
China			
Agricultural Bank of China Ltd.	290,000	173	170
Bank of China Ltd.	812,000	487	501
BYD Co. Ltd.	36,000	458	393
China Construction Bank Corp.	811,000	799	939
China International Capital Corp. Ltd.	56,800	160	149
China Life Insurance Co. Ltd.	59,000	241	232
China Merchants Bank Co.	39,500	197	198
China Pacific Insurance (Group) Co. Ltd.	25,400	139	153
Guotai Junan Securities Co. Ltd.	6,000	16	17
Industrial and Commercial Bank of China Ltd.	599,000	494	604
Petrochina Co. Ltd.	526,000	475	462
Ping An Insurance (Group) Co. of China Ltd.	60,500	557	792
France			
Lyxor MSCI India UCITS ETF	168,858	3,527	4,246
Hong Kong			
AIA Group Ltd.	125,600	1,164	1,348
BOC Hong Kong Holdings Ltd.	34,000	180	216
China Mobile Ltd.	46,500	588	592

Far East Equity Fund S-038MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Hong Kong (continued)			
China Resources Beer Holdings Co. Ltd.	84,000	298	379
China Taiping Insurance Holdings Company Ltd.	20,800	109	98
China Travel International Investment Hong Kong Ltd.	722,000	345	337
CNOOC Ltd.	147,000	260	266
Hang Seng Bank Ltd.	9,200	289	287
Hong Kong Exchanges and Clearing Ltd.	7,200	271	277
I-Cable Communications Ltd.	29,680	1	1
Sun Art Retail Group Ltd.	153,000	196	203
Indonesia			
Mitra Adiperkasa TBK PT	71,500	46	41
PT AKR Corporindo TBK	244,800	159	144
PT Bank Mandiri (Persero) TBK	423,900	297	313
PT Bank Negara Indonesia (Persero) TBK	423,900	320	388
PT Matahari Department Stores TBK	88,400	122	82
PT Tiga Pilar Sejahtera Food TBK	413,000	74	18
Ramayana Lestari Sentosa TBK	875,600	82	97
Malaysia			
Alliance Bank Malaysia BHD	355,600	439	450
CIMB Group Holdings Berhad	68,700	139	139
Excel Force MSC Bhd	137,400	43	68
Malayan Banking Berhad	126,900	346	385
Malaysia Airports Holdings Berhad	267,700	684	731
Sime Darby Berhad	316,000	207	216
Sunway Construction Group BHD	69,600	48	54
TIME dotCom Berhad	12,800	32	36
New Zealand			
a2 Milk Co. Ltd.	74,210	411	537
Philippines			
8990 Holdings Inc.	241,200	41	41
GT Capital Holdings Inc.	5,145	199	167
Megawide Construction Corp.	566,700	244	256

Far East Equity Fund S-038MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Singapore			
DBS Group Holdings Ltd.	14,200	253	331
Keppel Corp. Ltd.	22,500	166	155
NetLink NBN Trust	321,285	245	252
Oversea-Chinese Banking Corp. Ltd.	30,800	304	358
South Korea			
Able C&C Co. Ltd.	5,060	164	99
Able C&C Co. Ltd. Rights	1,715	-	6
AmorePacific Corp.	1,740	660	624
CJ E&M Corp.	2,335	261	269
Cosmax Inc.	1,713	261	236
Cuckoo Electronics Company Ltd	1,501	261	292
Dentium Co. Ltd.	1,786	146	131
GS Home Shopping Inc.	644	166	165
Hana Financial Group Inc.	4,131	224	243
Hyundai Mipo Dockyard Co. Ltd.	1,917	212	178
Hyundai Motor Co.	1,158	192	213
InBody Co. Ltd.	2,464	109	117
Industrial Bank Of Korea (IBK)	13,114	241	254
ING Life Insurance Korea Ltd.	2,869	188	180
Innocean Worldwide Inc.	1,612	129	139
KB Financial Group Inc.	3,434	190	256
Koh Young Technology Inc.	1,649	155	160
Korea Electric Power Corp.	6,121	324	275
KT&G Corporation	1,210	173	165
LG Chem Ltd.	335	133	160
LG Household & Health Care Ltd.	261	299	365
POSCO	664	246	260
Posco Chemtech Co. Ltd.	10,995	492	514
Samsung Biologics Co. Ltd.	274	119	120
Samsung Electronics Co. Ltd.	693	1,441	2,078
Samsung Electronics Co. Ltd. Preferred	77	103	189
Shinhan Financial Group Co. Ltd.	6,595	343	384
SK Hynix Inc.	4,592	297	409
SK Innovation Co. Ltd.	591	144	142

Far East Equity Fund S-038MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Taiwan			
Cathay Financial Holding Co. Ltd.	188,000	389	425
CTBC Financial Holding Co. Ltd.	435,000	374	377
Egis Technology Inc.	23,000	260	221
Hon Hai Precision Industry Co. Ltd.	130,000	517	522
Lagan Precision Co. Ltd.	1,000	158	170
Taiwan Semiconductor Manufacturing Co. Ltd.	189,000	1,479	1,828
Uni-President Enterprises Corp.	53,000	141	148
Thailand			
Airports of Thailand Public Company Ltd.	55,400	127	146
Amata Corp. Public Co. Ltd.	223,900	189	225
Ananda Development PCL	417,100	95	95
B.Grimm Power Public Co. Ltd.	95,800	99	106
Bangkok Bank PLC	13,500	116	114
Berli Jucker PCL	115,700	215	295
Central Pattana PCL	99,100	293	327
IRPC PCL	502,500	122	137
Krung Thai Bank Public Co. Ltd.	270,800	205	201
Major Cineplex Group Public Co. Ltd.	101,200	129	113
Malee Sampran Public Co. Ltd.	144,800	248	214
Minor International PCL	144,300	227	244
Quality Houses Public Co. Ltd.	1,099,500	124	138
Synergetic Auto Performance Co. Ltd.	359,000	103	107
The Erawan Group Public Company Ltd.	477,000	124	160
TMB Bank Public Co. Ltd.	1,487,800	150	174
TPI Polene Power Public Company Ltd.	254,800	71	80
Total Global Common Stock	47,826	53,195	
Total Stocks	47,826	53,195	
Transaction Costs (see notes to financial statements)	(89)		
Total Investments	47,737	53,195	

Far East Equity Fund S-038MF

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Far East Equity Fund S-038MF (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

Far East Equity Fund S-038MF
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
Hong Kong Dollar	\$ 14,939	\$ —	\$ 14,939	\$ 149
Australian Dollar	11,328	—	11,328	113
South Korean Won	8,623	27	8,650	87
Euro	4,246	—	4,246	43
Other Currencies	14,059	(13)	14,046	140
Total	\$ 53,195	\$ 14	\$ 53,209	\$ 532
As Percent of Net Assets Attributable to Contractholders			98.1%	1.0%

**Includes both monetary and non-monetary instruments*

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
Hong Kong Dollar	\$ 9,565	\$ —	\$ 9,565	\$ 95
Australian Dollar	6,951	—	6,951	70
South Korean Won	3,422	—	3,422	34
New Taiwan Dollar	2,221	—	2,221	22
Other Currencies	7,267	4	7,271	73
Total	\$ 29,426	\$ 4	\$ 29,430	\$ 294
As Percent of Net Assets Attributable to Contractholders			98.9%	1.0%

**Includes both monetary and non-monetary instruments*

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$532 (\$294 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

Far East Equity Fund S-038MF
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 5,319	\$ 47,876	\$ —	\$ 53,195	
Total assets measured at fair value	\$ 5,319	\$ 47,876	\$ —	\$ 53,195	

	2016				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 3,618	\$ 25,808	\$ —	\$ 29,426	
Total assets measured at fair value	\$ 3,618	\$ 25,808	\$ —	\$ 29,426	

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for certain non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, non-North American equities are frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of December 31, 2017, these securities were classified as Level 2 (Level 2 at December 31, 2016).

Far East Equity Fund S-038MF

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	184,901	185,126	215,599	230,758	270,098	3,246	2,579	3,140	3,529	3,777
Generations/Mosaic	1,135,908	1,020,149	1,338,541	1,521,136	1,976,567	19,694	14,037	19,251	22,973	27,295
Generations I	230,495	204,086	244,717	280,252	378,105	4,428	3,111	3,903	4,697	5,799
Generations II	232,628	165,613	202,297	191,910	238,493	2,897	1,646	2,115	2,121	2,426
Generations Core	111,144	76,878	104,780	122,363	136,147	1,482	813	1,157	1,419	1,443
Group	84,366	87,306	163,943	190,680	220,843	—	—	—	—	—
75/75 guarantee policy	203,798	85,745	128,535	108,015	68,635	3,211	1,071	1,676	1,477	857
75/100 guarantee policy	537,146	175,870	305,908	205,922	233,847	8,402	2,183	3,967	2,803	2,912
100/100 guarantee policy	170,129	99,094	88,699	62,329	68,357	2,533	1,177	1,107	821	829
PS1 75/75 guarantee policy	133,564	30,897	8,413	—	—	2,265	413	117	—	—
PS1 75/100 guarantee policy	146,169	69,376	28,046	21,013	18,323	2,421	909	383	300	239
PS1 100/100 guarantee policy	55,718	17,096	—	—	—	891	218	—	—	—
PS2 75/75 guarantee policy	10,744	7,376	20,981	6,273	3,975	210	111	319	97	54
PS2 75/100 guarantee policy	36,338	5,265	6,495	2,910	2,984	710	79	99	45	41
PS2 100/100 guarantee policy	4,987	498	517	537	557	97	7	8	8	8

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	17.56	13.93	14.56	15.29	13.98	3.63	(0.63)
Generations/Mosaic	17.34	13.76	14.38	15.10	13.81	3.58	(0.62)
Generations I	19.21	15.25	15.95	16.76	15.34	3.96	(0.70)
Generations II	12.45	9.94	10.46	11.05	10.17	2.51	(0.52)
Generations Core	13.33	10.57	11.05	11.59	10.60	2.76	(0.48)
Group	—	—	—	—	—	—	—
75/75 guarantee policy	15.76	12.49	13.04	13.67	12.49	3.27	(0.55)
75/100 guarantee policy	15.64	12.41	12.97	13.61	12.45	3.23	(0.56)
100/100 guarantee policy	14.89	11.88	12.48	13.18	12.13	3.01	(0.60)
PS1 75/75 guarantee policy	16.96	13.36	13.86	—	—	3.60	(0.50)
PS1 75/100 guarantee policy	16.56	13.11	13.65	14.29	13.03	3.45	(0.54)
PS1 100/100 guarantee policy	15.99	12.73	—	—	—	3.26	0.04
PS2 75/75 guarantee policy	19.55	15.02	15.19	15.44	13.67	4.53	(0.17)
PS2 75/100 guarantee policy	19.53	15.01	15.19	15.43	13.66	4.52	(0.18)
PS2 100/100 guarantee policy	19.55	15.02	15.20	15.44	13.67	4.53	(0.18)

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Far East Equity Fund S-038MF

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by Canada Life Investments. All investment transactions with the corresponding underlying funds are at quoted market prices.

Far East Equity Fund S-038MF

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	3.25	3.26	3.24	3.27	3.29
Generations/Mosaic	3.25	3.27	3.24	3.28	3.28
Generations I	3.24	3.34	3.31	3.35	3.36
Generations II	3.81	3.92	3.89	3.93	3.94
Generations Core	3.12	3.23	3.20	3.24	3.25
75/75 guarantee policy	3.09	3.14	3.10	3.20	3.26
75/100 guarantee policy	3.20	3.25	3.21	3.32	3.37
100/100 guarantee policy	3.78	3.80	3.78	3.90	3.95
PS1 75/75 guarantee policy	2.52	2.50	2.47	—	—
PS1 75/100 guarantee policy	2.94	2.94	2.91	2.95	2.97
PS1 100/100 guarantee policy	3.56	3.54	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	132.02	167.29	225.75	161.31	90.30

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CONTINUUM CONSERVATIVE MODULE SF605

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Continuum Conservative Module SF605

We have audited the accompanying financial statements of Continuum Conservative Module SF605, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Continuum Conservative Module SF605 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Continuum Conservative Module SF605

(in Canadian \$ thousands)

Fund Manager: Canada Life Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	42,122	47,322
Total investments	42,122	47,322
Total assets	\$ 42,122	\$ 47,322
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 42,122	\$ 47,322

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 2,234	\$ 3,291
Miscellaneous income (loss)	—	—
Total income	2,234	3,291
Expenses		
Management fees (note 8)	735	819
Other	79	91
Total expenses	814	910
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,420	2,381

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 47,322	\$ 54,685	
Contractholder deposits	154	3,954
Contractholder withdrawals	(6,774)	(13,698)
Increase (decrease) in net assets from operations attributable to contractholders	1,420	2,381
Change in net assets attributable to contractholders	(5,200)	(7,363)
Net assets attributable to contractholders - end of year	\$ 42,122	\$ 47,322

Continuum Conservative Module SF605

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,420	\$ 2,381
Adjustments		
Realized (gains) losses	(1,345)	(1,931)
Unrealized (gains) losses	(889)	(1,360)
Gross proceeds of disposition of investments	7,849	15,100
Gross payments for the purchase of investments	(415)	(4,446)
	6,620	9,744
Financing Activities		
Contractholder deposits	154	3,954
Contractholder withdrawals	(6,774)	(13,698)
	(6,620)	(9,744)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	—	—
Cash, short-term deposits and overdrafts, end of year	\$ —	\$ —

Continuum Conservative Module SF605

Schedule of Investment Portfolio

(in Canadian \$ thousands)

As at December 31, 2017

	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units		
Bond Fund (Jarislowsky Fraser) SF251	2,002	2,317
Bond Fund (SRA) SF199	4,766	5,478
Canadian Equity Fund (Bissett) SF103	1,955	2,739
Fixed Income Fund (Greystone) SF209	5,631	6,320
Fixed Income Fund (Laketon) SF019	7,379	8,426
Global Equity Fund SF034	1,748	2,737
Global Equity Fund (Trimark) SF051	789	1,264
International Bond Fund (Laketon) SF036	2,692	3,157
Enhanced Dividend Fund (Laketon) SF039	1,862	2,529
Global Infrastructure Equity Fund (London Capital) SF515	1,017	1,256
Global Unconstrained Fund (Mackenzie) SF530	2,143	2,528
Corporate Bond Fund (PIM) SF817	1,951	2,107
Real Return Bond Fund (PIM) SF820	1,213	1,264
Total Investments	35,148	42,122

Continuum Conservative Module SF605

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	2,049,659	2,373,815	2,832,852	2,325,403	1,915,899	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Continuum Conservative Module SF605 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in units of other segregated investment funds of The Canada Life Assurance Company. Units are valued based on the closing unit values of the underlying funds.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on the Financial Instrument Risk Management.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Canada Life Investments. All investment transactions with the corresponding underlying funds are at quoted market prices.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

The Fund employs a passive investment strategy whereby investments in underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility and asset class diversification. Significant changes to the selection of underlying funds or the target asset weightings attributed to each underlying fund require contractholder notification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments represents the maximum credit risk exposure as at December 31, 2017.

Continuum Conservative Module SF605

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 2 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CONTINUUM MODERATE MODULE SF606

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Continuum Moderate Module SF606

We have audited the accompanying financial statements of Continuum Moderate Module SF606, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Continuum Moderate Module SF606 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Continuum Moderate Module SF606

(in Canadian \$ thousands)

Fund Manager: Canada Life Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	49,975	53,960
Total investments	49,975	53,960
Total assets	\$ 49,975	\$ 53,960
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 49,975	\$ 53,960

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 3,272	\$ 4,193
Miscellaneous income (loss)	—	—
Total income	3,272	4,193
Expenses		
Management fees (note 8)	797	868
Other	82	96
Total expenses	879	964
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 2,393	\$ 3,229

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 53,960	\$ 58,507	
Contractholder deposits	201	1,907
Contractholder withdrawals	(6,579)	(9,683)
Increase (decrease) in net assets from operations attributable to contractholders	2,393	3,229
Change in net assets attributable to contractholders	(3,985)	(4,547)
Net assets attributable to contractholders - end of year	\$ 49,975	\$ 53,960

Continuum Moderate Module SF606

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,393	\$ 3,229
Adjustments		
Realized (gains) losses	(1,778)	(1,626)
Unrealized (gains) losses	(1,494)	(2,566)
Gross proceeds of disposition of investments	8,446	10,353
Gross payments for the purchase of investments	(1,189)	(1,614)
	<hr/> 6,378	<hr/> 7,776
Financing Activities		
Contractholder deposits	201	1,907
Contractholder withdrawals	(6,579)	(9,683)
	<hr/> (6,378)	<hr/> (7,776)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	<hr/> —	<hr/> —
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ —	<hr/> \$ —

Continuum Moderate Module SF606

Schedule of Investment Portfolio

(in Canadian \$ thousands)

As at December 31, 2017

	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units		
Bond Fund (Jarislowsky Fraser) SF251	1,941	2,250
Bond Fund (SRA) SF199	4,968	5,751
Canadian Equity Fund (Bissett) SF103	3,318	4,762
Canadian Equity Growth Fund S-102MF	1,388	1,999
Corporate Bond Fund (PIM) SF817	1,854	2,002
Enhanced Dividend Fund (Laketon) SF039	2,400	3,261
Fixed Income Fund (Greystone) SF209	4,472	5,003
Fixed Income Fund (Laketon) SF019	8,799	10,002
Global Equity Fund (Trimark) SF051	1,775	2,993
Global Equity Fund SF034	3,072	4,985
Global Infrastructure Equity Fund (London Capital) SF515	1,590	1,978
Global Unconstrained Fund (Mackenzie) SF530	1,702	2,003
International Bond Fund (Laketon) SF036	2,524	2,986
Total Investments	39,803	49,975

Continuum Moderate Module SF606

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	2,184,766	2,472,295	2,809,962	2,035,245	1,568,482	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Continuum Moderate Module SF606 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in units of other segregated investment funds of The Canada Life Assurance Company. Units are valued based on the closing unit values of the underlying funds.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on the Financial Instrument Risk Management.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Canada Life Investments. All investment transactions with the corresponding underlying funds are at quoted market prices.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

The Fund employs a passive investment strategy whereby investments in underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility and asset class diversification. Significant changes to the selection of underlying funds or the target asset weightings attributed to each underlying fund require contractholder notification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/ shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments represents the maximum credit risk exposure as at December 31, 2017.

Continuum Moderate Module SF606

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 2 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CONTINUUM GROWTH MODULE SF607

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Continuum Growth Module SF607

We have audited the accompanying financial statements of Continuum Growth Module SF607, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Continuum Growth Module SF607 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Continuum Growth Module SF607

(in Canadian \$ thousands)

Fund Manager: Canada Life Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	41,824	43,446
Total investments	41,824	43,446
Total assets	\$ 41,824	\$ 43,446
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 41,824	\$ 43,446

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 3,599	\$ 3,986
Miscellaneous income (loss)	—	—
Total income	3,599	3,986
Expenses		
Management fees (note 8)	627	648
Other	58	69
Total expenses	685	717
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 2,914	\$ 3,269

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 43,446	\$ 45,602	
Contractholder deposits	421	1,943
Contractholder withdrawals	(4,957)	(7,368)
Increase (decrease) in net assets from operations attributable to contractholders	2,914	3,269
Change in net assets attributable to contractholders	(1,622)	(2,156)
Net assets attributable to contractholders - end of year	\$ 41,824	\$ 43,446

Continuum Growth Module SF607

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,914	\$ 3,269
Adjustments		
Realized (gains) losses	(1,513)	(1,329)
Unrealized (gains) losses	(2,085)	(2,657)
Gross proceeds of disposition of investments	6,122	7,949
Gross payments for the purchase of investments	(902)	(1,807)
	4,536	5,425
Financing Activities		
Contractholder deposits	421	1,943
Contractholder withdrawals	(4,957)	(7,368)
	(4,536)	(5,425)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	—	—
Cash, short-term deposits and overdrafts, end of year	\$ —	\$ —

Continuum Growth Module SF607

Schedule of Investment Portfolio

(in Canadian \$ thousands)

As at December 31, 2017

	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units		
Bond Fund (SRA) SF199	3,013	3,353
Canadian Equity Fund (Bissett) SF103	2,642	3,780
Canadian Equity Fund (Greystone) SF203	1,324	1,680
Canadian Equity Fund (Leith Wheeler) SF195	2,313	3,367
Canadian Equity Growth Fund S-102MF	1,164	1,673
Corporate Bond Fund (PIM) SF817	1,166	1,258
Enhanced Dividend Fund (Laketon) SF039	1,538	2,102
Fixed Income Fund (Greystone) SF209	3,010	3,354
Fixed Income Fund (Laketon) SF019	5,771	6,496
Global Equity Fund (Trimark) SF051	2,974	4,998
Global Equity Fund SF034	2,443	4,164
International Bond Fund (Laketon) SF036	2,013	2,287
International Equity Fund (CI) SF182	1,197	1,453
U.S. Companies Fund (Trimark) SF329	1,355	1,859
Total Investments	31,923	41,824

Continuum Growth Module SF607

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	1,772,612	1,972,290	2,218,354	1,885,404	1,163,541	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Continuum Growth Module SF607 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Continuum Growth Module SF607
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in units of other segregated investment funds of The Canada Life Assurance Company. Units are valued based on the closing unit values of the underlying funds.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on the Financial Instrument Risk Management.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Canada Life Investments. All investment transactions with the corresponding underlying funds are at quoted market prices.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

The Fund employs a passive investment strategy whereby investments in underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility and asset class diversification. Significant changes to the selection of underlying funds or the target asset weightings attributed to each underlying fund require contractholder notification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments represents the maximum credit risk exposure as at December 31, 2017.

Continuum Growth Module SF607

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 2 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CONTINUUM AGGRESSIVE GROWTH MODULE SF608

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Continuum Aggressive Growth Module SF608

We have audited the accompanying financial statements of Continuum Aggressive Growth Module SF608, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Continuum Aggressive Growth Module SF608 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Continuum Aggressive Growth Module SF608

(in Canadian \$ thousands)

Fund Manager: Canada Life Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	5,393	5,714
Total investments	5,393	5,714
Total assets	\$ 5,393	\$ 5,714
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 5,393	\$ 5,714

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 559	\$ 520
Miscellaneous income (loss)	—	—
Total income	559	520
Expenses		
Management fees (note 8)	82	84
Other	8	9
Total expenses	90	93
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 469	\$ 427

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 5,714	\$ 6,073	\$ 6,073
Contractholder deposits	10	15
Contractholder withdrawals	(800)	(801)
Increase (decrease) in net assets from operations attributable to contractholders	469	427
Change in net assets attributable to contractholders	(321)	(359)
Net assets attributable to contractholders - end of year	\$ 5,393	\$ 5,714

Continuum Aggressive Growth Module SF608

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 469	\$ 427
Adjustments		
Realized (gains) losses	(207)	(152)
Unrealized (gains) losses	(352)	(368)
Gross proceeds of disposition of investments	891	1,006
Gross payments for the purchase of investments	(11)	(127)
	790	786
Financing Activities		
Contractholder deposits	10	15
Contractholder withdrawals	(800)	(801)
	(790)	(786)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	—	—
Cash, short-term deposits and overdrafts, end of year	\$ —	\$ —

Continuum Aggressive Growth Module SF608

Schedule of Investment Portfolio

(in Canadian \$ thousands)

As at December 31, 2017

	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units		
Bond Fund (SRA) SF199	240	266
Canadian Equity Growth Fund S-102MF	355	487
Canadian Equity Fund (Bissett) SF103	377	541
Canadian Equity Fund (Leith Wheeler) SF195	297	435
Canadian Equity Fund (Greystone) SF203	424	542
Fixed Income Fund (Laketon) SF019	570	638
Global Equity Fund SF034	190	325
Global Equity Fund (Trimark) SF051	356	595
International Equity Fund (Templeton) SF118	155	217
International Bond Fund (Laketon) SF036	144	159
Canadian Small Cap Equity Fund (Montrusco Bolton) SF204	126	164
U.S. Value Fund S-178LL	143	215
International Equity Fund (CI) SF182	267	323
U.S. Companies Fund (Trimark) SF329	355	486
Total Investments	3,999	5,393

Continuum Aggressive Growth Module SF608

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	226,704	261,755	299,204	234,670	192,237	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Continuum Aggressive Growth Module SF608 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

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Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in units of other segregated investment funds of The Canada Life Assurance Company. Units are valued based on the closing unit values of the underlying funds.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on the Financial Instrument Risk Management.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by Canada Life Investments. All investment transactions with the corresponding underlying funds are at quoted market prices.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

The Fund employs a passive investment strategy whereby investments in underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility and asset class diversification. Significant changes to the selection of underlying funds or the target asset weightings attributed to each underlying fund require contractholder notification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/ shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments represents the maximum credit risk exposure as at December 31, 2017.

Continuum Aggressive Growth Module SF608

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 2 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INTERNATIONAL EQUITY FUND (CI) SF182

December 31, 2017



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Independent Auditor's Report

To the Contractholders of International Equity Fund (CI) SF182

We have audited the accompanying financial statements of International Equity Fund (CI) SF182, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Equity Fund (CI) SF182 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

International Equity Fund (CI) SF182

(in Canadian \$ thousands)

Fund Manager: CI Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 193	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	20	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>41,750</u>	<u>36,142</u>
Total investments	<u>41,750</u>	<u>36,142</u>
Total assets	<u>\$ 41,963</u>	<u>\$ 36,142</u>
Liabilities		
Overdrafts	\$ —	\$ 15
Due to The Canada Life Assurance Company (note 8)	101	64
Due to brokers	—	8
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	101	87
Net assets attributable to contractholders	<u>\$ 41,862</u>	<u>\$ 36,055</u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 5,434	\$ (100)	—
Miscellaneous income (loss)	—	—	—
Total income			
	5,434	(100)	—
Expenses			
Management fees (note 8)	223	207	—
Other	20	18	—
Total expenses			
	243	225	—
Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 5,191	\$ (325)	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 36,055	\$ 34,537	—
Contractholder deposits	5,197	5,495	—
Contractholder withdrawals	(4,581)	(3,652)	—
Increase (decrease) in net assets from operations attributable to contractholders	5,191	(325)	—
Change in net assets attributable to contractholders	5,807	1,518	—
Net assets attributable to contractholders - end of year			
	\$ 41,862	\$ 36,055	—

International Equity Fund (CI) SF182

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,191	\$ (325)
Adjustments		
Realized (gains) losses	(9,027)	(475)
Unrealized (gains) losses	4,537	1,491
Gross proceeds of disposition of investments	45,567	3,746
Gross payments for the purchase of investments	(45,740)	(5,475)
Change in distribution income of underlying mutual fund	(945)	(916)
Change in due from/to The Canada Life Assurance Company	37	93
Change in due from/to brokers	(28)	59
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (408)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (1,802)
Financing Activities		
Contractholder deposits	5,197	5,495
Contractholder withdrawals	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (4,581)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (3,652)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> 616	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> 1,843
Net increase (decrease) in cash, short-term deposits and overdrafts	208	41
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (15)	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> (56)
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> \$ 193	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/> \$ (15)

International Equity Fund (CI) SF182

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
CI International Value Fund Class I	2,040,152	41,657	41,750
Total Investments		41,657	41,750

Top 25 Holdings

Security Description	% of Total
Cash and short-term deposits	3.57%
Chubb Ltd.	3.08%
Heineken NV	2.78%
GlaxoSmithKline PLC	2.71%
Vodafone Group PLC	2.70%
Linde AG	2.66%
Aon PLC	2.49%
Tokio Marine Holdings Inc.	2.40%
Sumitomo Mitsui Trust Holdings Inc.	2.36%
Mitsubishi UFJ Financial Group Inc.	2.36%
Astellas Pharma Inc.	2.27%
Roche Holding AG	2.24%
Novartis AG	2.23%
Diageo PLC	2.16%
Willis Towers Watson PLC	2.14%
TDC AS	2.12%
Zurich Insurance Group AG	2.11%
XL Group Ltd.	2.08%
MS&AD Insurance Group Holdings Inc.	2.05%
Nestle SA	2.02%
Medtronic PLC	2.02%
Henkel AG & Co. KGaA	1.97%
Sanofi SA	1.88%
Thomson Reuters Corp.	1.86%
ICICI Bank Ltd.	1.83%

International Equity Fund (CI) SF182

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	390,730	378,812	394,517	355,178	443,428	2,732	2,382	2,603	2,143	2,524
Generations I	46,089	45,532	28,826	22,258	32,101	508	451	299	210	286
Generations II	21,607	27,878	43,714	20,150	26,240	213	247	408	172	212
Generations Core	21,173	21,244	28,714	29,512	20,621	219	196	278	260	171
75/75 guarantee policy	61,204	75,455	111,691	73,206	44,746	995	1,099	1,701	1,016	132
75/100 guarantee policy	96,011	66,127	92,413	58,192	39,768	1,537	950	1,390	799	271
100/100 guarantee policy	23,787	8,939	19,237	16,902	20,769	370	125	283	228	265
PS1 75/75 guarantee policy	39,999	30,122	4,980	4,980	—	663	445	77	69	—
PS1 75/100 guarantee policy	31,743	27,387	3,584	—	—	517	399	54	—	—
PS1 100/100 guarantee policy	5,298	14,155	—	—	—	84	202	—	—	—
PS2 75/75 guarantee policy	881	2,894	3,933	4,042	4,360	17	49	67	61	60
PS2 75/100 guarantee policy	9,768	1,195	1,166	204	—	190	20	20	3	—
PS2 100/100 guarantee policy	9	10	—	—	—	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	6.99	6.29	6.60	6.03	5.69	0.70	(0.31)
Generations I	11.03	9.89	10.36	9.45	8.90	1.14	(0.47)
Generations II	9.86	8.88	9.32	8.53	8.06	0.98	(0.44)
Generations Core	10.32	9.25	9.67	8.81	8.28	1.07	(0.42)
75/75 guarantee policy	16.26	14.57	15.23	13.87	13.04	1.69	(0.66)
75/100 guarantee policy	16.01	14.36	15.04	13.72	12.92	1.65	(0.68)
100/100 guarantee policy	15.58	14.02	14.73	13.48	12.74	1.56	(0.71)
PS1 75/75 guarantee policy	16.58	14.78	15.38	13.94	—	1.80	(0.60)
PS1 75/100 guarantee policy	16.27	14.55	15.19	—	—	1.72	(0.64)
PS1 100/100 guarantee policy	15.88	14.26	—	—	—	1.62	0.58
PS2 75/75 guarantee policy	19.42	16.84	17.04	15.02	13.66	2.58	(0.20)
PS2 75/100 guarantee policy	19.40	16.82	17.02	15.00	—	2.58	(0.20)
PS2 100/100 guarantee policy	19.39	16.82	—	—	—	2.57	0.50

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The International Equity Fund (CI) SF182 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

International Equity Fund (CI) SF182

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

International Equity Fund (CI) SF182

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.68	3.66	3.66	3.68	3.72
Generations I	3.46	3.45	3.44	3.43	3.50
Generations II	3.80	3.78	3.79	3.80	3.82
Generations Core	3.30	3.29	3.28	3.30	3.34
75/75 guarantee policy	3.31	3.29	3.28	3.30	3.35
75/100 guarantee policy	3.45	3.45	3.45	3.47	3.50
100/100 guarantee policy	3.76	3.79	3.77	3.79	3.84
PS1 75/75 guarantee policy	2.79	2.78	2.77	2.79	—
PS1 75/100 guarantee policy	3.12	3.10	3.10	—	—
PS1 100/100 guarantee policy	3.57	3.54	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	117.53	10.73	21.44	11.54	9.17

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (TRIMARK) SF052

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Trimark) SF052

We have audited the accompanying financial statements of Canadian Equity Fund (Trimark) SF052, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Trimark) SF052 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Trimark) SF052

(in Canadian \$ thousands)

Fund Manager: Cranston, Gaskin, O'Reilly & Vernon

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 92	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	36	23
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>18,236</u>	18,231
Total investments	<u>18,236</u>	18,231
Total assets	<u><u>\$ 18,364</u></u>	<u><u>\$ 18,254</u></u>
Liabilities		
Overdrafts	\$ —	\$ 29
Due to The Canada Life Assurance Company (note 8)	4	11
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>4</u>	<u>40</u>
Net assets attributable to contractholders	<u><u>\$ 18,360</u></u>	<u><u>\$ 18,214</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,808	\$ 2,866
Miscellaneous income (loss)	—	—
Total income	<u>1,808</u>	<u>2,866</u>
Expenses		
Management fees (note 8)	286	291
Other	29	29
Total expenses	<u>315</u>	<u>320</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 1,493</u>	<u>\$ 2,546</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 18,214	\$ 18,214	\$ 17,723
Contractholder deposits	1,242	1,845
Contractholder withdrawals	(2,589)	(3,900)
Increase (decrease) in net assets from operations attributable to contractholders	<u>1,493</u>	<u>2,546</u>
Change in net assets attributable to contractholders	<u>146</u>	<u>491</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 18,360</u></u>	<u><u>\$ 18,214</u></u>

Canadian Equity Fund (Trimark) SF052

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,493	\$ 2,546
Adjustments		
Realized (gains) losses	(182)	1,131
Unrealized (gains) losses	(769)	(3,406)
Gross proceeds of disposition of investments	3,047	22,274
Gross payments for the purchase of investments	(1,245)	(19,908)
Change in distribution income of underlying mutual fund	(856)	(591)
Change in due from/to The Canada Life Assurance Company	(7)	1
Change in due from/to brokers	(13)	55
	<hr/> 1,468	<hr/> 2,102
Financing Activities		
Contractholder deposits	1,242	1,845
Contractholder withdrawals	<hr/> (2,589)	<hr/> (3,900)
	<hr/> (1,347)	<hr/> (2,055)
Net increase (decrease) in cash, short-term deposits and overdrafts	121	47
Cash, short-term deposits and overdrafts, beginning of year	(29)	(76)
Cash, short-term deposits and overdrafts, end of year	\$ 92	\$ (29)

Canadian Equity Fund (Trimark) SF052

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
CGOV Dividend Fund Class F	824,157	16,792	18,236
Total Investments		16,792	18,236

Top 25 Holdings

Security Description	% of Total
Franco-Nevanda Corp.	4.97%
Suncor Energy Inc.	4.86%
Agrium Inc.	4.82%
The Toronto-Dominion Bank	4.73%
Ritchie Brothers Auctioneers	4.71%
Magna International Inc.	4.65%
CVS Health Corp.	4.61%
The Bank of Nova Scotia	4.56%
Mazar Technologies Ltd.	4.55%
Enbridge Inc.	4.40%
Novartis SA ADR	4.37%
Freehold Royalties Ltd.	4.11%
Cisco Systems Inc.	4.06%
Westshore Terminals	3.91%
Starbucks Corp.	3.88%
Mullen Group Ltd.	3.79%
United States Treasury 0.00% 01-04-2018	3.70%
Cboe Global Markets	3.25%
Fomento Econo Mexicano SAB ADR	3.15%
Canadian National Railway Co.	3.02%
Unilever PLC ADR	2.94%
Pason Systems Inc.	2.84%
Prairiesky Royalty Ltd.	2.77%
Veolia Environment SA	2.53%
TELUS Corp.	2.51%

Canadian Equity Fund (Trimark) SF052

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	297,190	352,036	402,413	478,788	536,569	5,618	6,220	6,298	9,406	10,999
Generations I	46,281	50,511	57,552	67,647	71,008	543	553	557	820	896
Generations II	7,427	6,177	5,449	12,004	12,289	84	65	51	141	151
Generations Core	17,653	16,470	18,878	18,504	20,192	207	180	182	223	253
Group	43,806	73,360	97,533	112,649	111,297	—	—	—	—	—
75/75 guarantee policy	17,963	20,991	22,629	28,860	13,311	238	259	246	392	188
75/100 guarantee policy	61,469	74,841	49,064	89,951	73,591	800	909	527	1,209	1,030
100/100 guarantee policy	18,152	17,996	16,359	29,607	15,075	232	215	173	393	209
PS1 75/75 guarantee policy	9,251	2,175	—	—	—	126	27	—	—	—
PS1 75/100 guarantee policy	17,464	27,123	257	—	—	236	339	3	—	—
PS2 75/75 guarantee policy	6,073	6,216	6,360	9,657	—	95	88	77	141	—
PS2 75/100 guarantee policy	19,326	813	931	988	—	302	11	11	14	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	18.90	17.67	15.65	19.65	20.50	1.23	2.02
Generations I	11.74	10.95	9.68	12.12	12.62	0.79	1.27
Generations II	11.33	10.59	9.38	11.78	12.29	0.74	1.21
Generations Core	11.73	10.92	9.64	12.05	12.53	0.81	1.28
Group	—	—	—	—	—	—	—
75/75 guarantee policy	13.23	12.32	10.87	13.60	14.13	0.91	1.45
75/100 guarantee policy	13.02	12.14	10.73	13.44	14.00	0.88	1.41
100/100 guarantee policy	12.78	11.94	10.58	13.28	13.86	0.84	1.36
PS1 75/75 guarantee policy	13.66	12.62	—	—	—	1.04	1.37
PS1 75/100 guarantee policy	13.49	12.50	10.97	—	—	0.99	1.53
PS2 75/75 guarantee policy	15.65	14.12	12.07	14.63	—	1.53	2.05
PS2 75/100 guarantee policy	15.65	14.12	12.07	14.63	—	1.53	2.05

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (Trimark) SF052 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Trimark) SF052
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Trimark) SF052
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (Trimark) SF052
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (Trimark) SF052
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (Trimark) SF052

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (Trimark) SF052

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.55	3.53	3.53	3.54	3.55
Generations I	3.33	3.31	3.31	3.32	3.33
Generations II	3.55	3.55	3.54	3.54	3.57
Generations Core	3.16	3.15	3.14	3.16	3.16
75/75 guarantee policy	3.17	3.15	3.14	3.15	3.17
75/100 guarantee policy	3.33	3.33	3.31	3.32	3.34
100/100 guarantee policy	3.55	3.55	3.53	3.54	3.57
PS1 75/75 guarantee policy	2.41	2.43	—	—	—
PS1 75/100 guarantee policy	2.66	2.65	2.62	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	7.02	111.32	9.96	12.21	19.25

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
TRUE NORTH FUND (FIDELITY) SF176

December 31, 2017



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Independent Auditor's Report

To the Contractholders of True North Fund (Fidelity) SF176

We have audited the accompanying financial statements of True North Fund (Fidelity) SF176, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of True North Fund (Fidelity) SF176 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

True North Fund (Fidelity) SF176

(in Canadian \$ thousands)

Fund Manager: Fidelity Investments Canada ULC

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 58	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	95	91
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>130,787</u>	138,804
Total investments	<u>130,787</u>	138,804
Total assets	<u><u>\$ 130,940</u></u>	<u><u>\$ 138,895</u></u>
Liabilities		
Overdrafts	\$ —	\$ 116
Due to The Canada Life Assurance Company (note 8)	72	83
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>72</u>	<u>199</u>
Net assets attributable to contractholders	<u><u>\$ 130,868</u></u>	<u><u>\$ 138,696</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 9,200	\$ 15,787
Miscellaneous income (loss)	—	—
Total income	<u>9,200</u>	<u>15,787</u>
Expenses		
Management fees (note 8)	3,723	3,791
Other	381	389
Total expenses	<u>4,104</u>	<u>4,180</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 5,096</u></u>	<u><u>\$ 11,607</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 138,696	\$ 132,267	
Contractholder deposits	5,578	14,128
Contractholder withdrawals	(18,502)	(19,306)
Increase (decrease) in net assets from operations attributable to contractholders	<u>5,096</u>	<u>11,607</u>
Change in net assets attributable to contractholders	<u>(7,828)</u>	<u>6,429</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 130,868</u></u>	<u><u>\$ 138,696</u></u>

True North Fund (Fidelity) SF176

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,096	\$ 11,607
Adjustments		
Realized (gains) losses	(7,588)	(5,010)
Unrealized (gains) losses	732	(8,456)
Gross proceeds of disposition of investments	21,519	15,425
Gross payments for the purchase of investments	(4,303)	(6,150)
Change in distribution income of underlying mutual fund	(2,343)	(2,320)
Change in due from/to The Canada Life Assurance Company	(11)	84
Change in due from/to brokers	(4)	316
	<hr/> 13,098	5,496
Financing Activities		
Contractholder deposits	5,578	14,128
Contractholder withdrawals	<hr/> (18,502)	(19,306)
	<hr/> (12,924)	(5,178)
Net increase (decrease) in cash, short-term deposits and overdrafts	174	318
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (116)	(434)
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ 58	\$ (116)

True North Fund (Fidelity) SF176

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Fidelity True North Fund Series O	2,600,193	83,747	130,787
Total Investments		83,747	130,787

Top 25 Holdings

Security Description	% of Total
The Toronto-Dominion Bank	8.57%
Canadian National Railway Co.	4.34%
Suncor Energy Inc.	3.86%
Royal Bank of Canada	3.77%
Alimentation Couche-Tard Inc. Class B sub. voting	3.75%
Rogers Communications Inc. Class B non-voting	3.66%
CGI Groupe Inc. Class A sub. voting	3.66%
Restaurant Brands International Inc.	2.84%
Metro Inc.	2.47%
Constellation Software Inc.	2.44%
Loblaw Companies Ltd.	2.41%
Enbridge Inc.	2.31%
Power Corp. of Canada sub. voting*	2.28%
Manulife Financial Corp.	2.06%
SNC-Lavalin Group Inc.	1.92%
Canadian Natural Resources Ltd.	1.80%
Franco-Nevada Corp.	1.71%
Prairiesky Royalty Ltd.	1.64%
Intact Financial Corp.	1.55%
Fairfax Financial Holdings Ltd. sub. voting	1.27%
Dollarama Inc.	1.20%
TELUS Corp.	1.17%
Microsoft Corp.	1.15%
Quebecor Inc. Class B sub. voting	1.11%
Thomson Reuters Corp.	1.10%

*The issuer of this security is a related company to the issuer of the fund.

True North Fund (Fidelity) SF176

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	1,633,918	1,947,158	2,310,241	2,663,059	3,215,290	61,819	71,117	77,668	92,374	99,458
Generations I	487,425	612,665	658,280	786,705	797,523	8,482	10,280	10,156	12,510	9,982
Generations II	190,838	264,684	235,418	218,911	217,620	2,551	3,421	2,806	2,696	2,394
Generations Core	308,321	364,981	377,645	435,962	446,070	4,303	4,904	4,658	5,533	5,034
Group	44,432	61,798	70,684	50,522	49,546	—	—	—	—	—
75/75 guarantee policy	335,475	291,636	267,142	190,693	107,761	5,801	4,855	4,082	2,998	1,148
75/100 guarantee policy	1,020,053	1,009,685	968,480	709,400	447,934	17,389	16,598	14,638	11,051	6,216
100/100 guarantee policy	241,266	270,219	252,792	159,251	124,704	4,020	4,354	3,755	2,445	1,710
PS1 75/75 guarantee policy	101,869	79,653	14,355	—	—	1,707	1,278	210	—	—
PS1 75/100 guarantee policy	482,241	468,782	68,296	28,251	16,852	7,997	7,458	994	422	109
PS1 100/100 guarantee policy	102,218	68,110	—	—	—	1,661	1,065	—	—	—
PS2 75/75 guarantee policy	48,953	42,329	47,694	13,441	6,109	954	769	770	216	85
PS2 75/100 guarantee policy	43,423	25,438	11,112	414	—	845	461	179	7	—
PS2 100/100 guarantee policy	—	—	9,912	—	—	—	—	160	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	37.83	36.52	33.62	34.69	30.93	1.31	2.90
Generations I	17.40	16.78	15.43	15.90	14.16	0.62	1.35
Generations II	13.37	12.93	11.92	12.32	11.00	0.44	1.01
Generations Core	13.96	13.44	12.33	12.69	11.29	0.52	1.11
Group	—	—	—	—	—	—	—
75/75 guarantee policy	17.29	16.65	15.28	15.72	13.98	0.64	1.37
75/100 guarantee policy	17.05	16.44	15.11	15.58	13.88	0.61	1.33
100/100 guarantee policy	16.66	16.11	14.86	15.35	13.71	0.55	1.25
PS1 75/75 guarantee policy	16.76	16.04	14.65	—	—	0.72	1.39
PS1 75/100 guarantee policy	16.58	15.91	14.55	14.92	13.22	0.67	1.36
PS1 100/100 guarantee policy	16.25	15.64	—	—	—	0.61	1.60
PS2 75/75 guarantee policy	19.48	18.16	16.15	16.09	13.86	1.32	2.01
PS2 75/100 guarantee policy	19.45	18.14	16.12	16.07	—	1.31	2.02
PS2 100/100 guarantee policy	—	—	16.12	—	—	—	—

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The True North Fund (Fidelity) SF176 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

True North Fund (Fidelity) SF176
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

True North Fund (Fidelity) SF176
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

True North Fund (Fidelity) SF176
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

True North Fund (Fidelity) SF176
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

True North Fund (Fidelity) SF176

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

True North Fund (Fidelity) SF176

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.50	3.49	3.49	3.50	3.50
Generations I	3.39	3.38	3.38	3.39	3.39
Generations II	3.67	3.65	3.65	3.66	3.66
Generations Core	3.23	3.21	3.21	3.22	3.22
75/75 guarantee policy	3.22	3.21	3.21	3.22	3.23
75/100 guarantee policy	3.39	3.38	3.38	3.38	3.40
100/100 guarantee policy	3.67	3.65	3.66	3.66	3.67
PS1 75/75 guarantee policy	2.65	2.65	2.64	—	—
PS1 75/100 guarantee policy	2.87	2.87	2.87	2.87	2.88
PS1 100/100 guarantee policy	3.20	3.20	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	3.22	4.63	4.92	4.19	5.21

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INTERNATIONAL PORTFOLIO FUND (FIDELITY) SF184

December 31, 2017



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Independent Auditor's Report

To the Contractholders of International Portfolio Fund (Fidelity) SF184

We have audited the accompanying financial statements of International Portfolio Fund (Fidelity) SF184, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Portfolio Fund (Fidelity) SF184 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

International Portfolio Fund (Fidelity) SF184

(in Canadian \$ thousands)

Fund Manager: Fidelity Investments Canada ULC

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 228	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	44	—
Due from brokers	—	30
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>49,559</u>	28,299
Total investments	<u>49,559</u>	28,299
Total assets	<u><u>\$ 49,831</u></u>	<u>\$ 28,329</u>
Liabilities		
Overdrafts	\$ —	\$ 64
Due to The Canada Life Assurance Company (note 8)	—	16
Due to brokers	101	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>101</u>	80
Net assets attributable to contractholders	<u><u>\$ 49,730</u></u>	<u>\$ 28,249</u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 6,578	\$ 851	—
Miscellaneous income (loss)	—	—	—
Total income	<u>6,578</u>	851	—
Expenses			
Management fees (note 8)	1,059	891	—
Other	103	80	—
Total expenses	<u>1,162</u>	971	—
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 5,416</u></u>	<u>\$ (120)</u>	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 28,249	\$ 35,001	—
Contractholder deposits	21,071	3,088	—
Contractholder withdrawals	(5,006)	(9,720)	—
Increase (decrease) in net assets from operations attributable to contractholders	<u>5,416</u>	(120)	—
Change in net assets attributable to contractholders	<u>21,481</u>	(6,752)	—
Net assets attributable to contractholders - end of year	<u><u>\$ 49,730</u></u>	<u>\$ 28,249</u>	—

International Portfolio Fund (Fidelity) SF184

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,416	\$ (120)
Adjustments		
Realized (gains) losses	(877)	(1,603)
Unrealized (gains) losses	(4,627)	1,068
Gross proceeds of disposition of investments	3,625	10,132
Gross payments for the purchase of investments	(18,307)	(2,617)
Change in distribution income of underlying mutual fund	(1,074)	(317)
Change in due from/to The Canada Life Assurance Company	(60)	39
Change in due from/to brokers	131	(248)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(15,773)	6,334
Financing Activities		
Contractholder deposits	21,071	3,088
Contractholder withdrawals	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(5,006)	(9,720)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	16,065	(6,632)
Net increase (decrease) in cash, short-term deposits and overdrafts	292	(298)
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(64)	234
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	\$ 228	\$ (64)

International Portfolio Fund (Fidelity) SF184

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Fidelity Global Fund Series O	732,035	38,819	49,559
Total Investments		38,819	49,559

Top 25 Holdings

Security Description	% of Total
Royal Dutch Shell PLC Class B	3.20%
Alphabet Inc. Class A	2.85%
Citigroup Inc.	2.28%
Exelon Corp.	2.13%
JPMorgan Chase & Co.	1.95%
Lowes Cos. Inc.	1.76%
Vinci SA	1.72%
Union Pacific Corp.	1.70%
Koninklijke Ahold Delhaize NV	1.54%
LyondellBasell Industries NV Class A	1.53%
Microsoft Corp.	1.50%
Johnson & Johnson	1.43%
Airbus SE	1.38%
Orix Corp.	1.28%
HCA Healthcare Inc.	1.28%
KDDI Corp.	1.27%
Apple Inc.	1.26%
Andeavor	1.25%
Leidos Holdings Inc.	1.23%
Koninklijke Philips NV	1.21%
Taiwan Semiconductor Manufacturing Co. Ltd. SP ADR	1.16%
Bridgestone Corp.	1.15%
Sun Hung Kai Properties Ltd.	1.12%
Kubota Corp.	1.09%
Comcast Corp. Class A	1.08%

International Portfolio Fund (Fidelity) SF184

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	938,118	966,527	1,265,071	1,271,139	1,184,148	13,958	12,311	15,972	13,238	11,289
Generations I	178,888	166,126	199,534	90,729	63,572	2,785	2,213	2,633	987	633
Generations II	66,307	92,581	101,501	22,278	19,187	945	1,133	1,235	224	177
Generations Core	105,553	51,556	58,233	44,897	49,014	1,578	658	735	467	465
Group	68,508	72,347	107,619	39,515	20,702	—	—	—	—	—
75/75 guarantee policy	262,487	114,764	157,610	43,181	19,200	5,706	2,131	2,895	653	265
75/100 guarantee policy	539,689	238,073	289,381	157,497	68,909	11,607	4,381	5,276	2,367	948
100/100 guarantee policy	108,316	57,186	168,819	14,268	8,632	2,269	1,028	3,017	211	117
PS1 75/75 guarantee policy	72,736	40,573	—	—	—	1,622	769	—	—	—
PS1 75/100 guarantee policy	275,368	78,428	25,806	2,424	—	6,029	1,464	476	37	—
PS1 100/100 guarantee policy	18,782	14,525	1,713	—	—	401	266	31	—	—
PS2 75/75 guarantee policy	23,563	20,005	31,561	23,341	—	616	432	652	384	—
PS2 75/100 guarantee policy	4,756	4,961	367	—	—	124	107	8	—	—
PS2 100/100 guarantee policy	25,993	4,385	11,331	4,833	5,070	679	95	234	80	74

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	14.88	12.74	12.63	10.41	9.53	2.14	0.11
Generations I	15.57	13.32	13.20	10.88	9.95	2.25	0.12
Generations II	14.26	12.24	12.16	10.06	9.23	2.02	0.08
Generations Core	14.95	12.77	12.63	10.40	9.49	2.18	0.14
Group	—	—	—	—	—	—	—
75/75 guarantee policy	21.74	18.57	18.37	15.12	13.81	3.17	0.20
75/100 guarantee policy	21.51	18.40	18.23	15.03	13.75	3.11	0.17
100/100 guarantee policy	20.94	17.98	17.87	14.78	13.57	2.96	0.11
PS1 75/75 guarantee policy	22.30	18.95	—	—	—	3.35	1.90
PS1 75/100 guarantee policy	21.89	18.67	18.43	15.14	—	3.22	0.24
PS1 100/100 guarantee policy	21.35	18.29	18.13	—	—	3.06	0.16
PS2 75/75 guarantee policy	26.13	21.59	20.67	16.46	—	4.54	0.92
PS2 75/100 guarantee policy	26.13	21.59	20.67	—	—	4.54	0.92
PS2 100/100 guarantee policy	26.14	21.60	20.68	16.47	14.54	4.54	0.92

International Portfolio Fund (Fidelity) SF184

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The International Portfolio Fund (Fidelity) SF184 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

International Portfolio Fund (Fidelity) SF184
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

International Portfolio Fund (Fidelity) SF184

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

International Portfolio Fund (Fidelity) SF184
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

International Portfolio Fund (Fidelity) SF184
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

International Portfolio Fund (Fidelity) SF184

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

International Portfolio Fund (Fidelity) SF184
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

International Portfolio Fund (Fidelity) SF184
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

International Portfolio Fund (Fidelity) SF184

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

International Portfolio Fund (Fidelity) SF184

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

International Portfolio Fund (Fidelity) SF184

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.54	3.51	3.53	3.59	3.60
Generations I	3.48	3.46	3.48	3.53	3.55
Generations II	3.81	3.78	3.82	3.87	3.89
Generations Core	3.30	3.29	3.31	3.37	3.38
75/75 guarantee policy	3.29	3.30	3.31	3.36	3.41
75/100 guarantee policy	3.46	3.46	3.48	3.53	3.56
100/100 guarantee policy	3.79	3.81	3.81	3.87	3.90
PS1 75/75 guarantee policy	2.79	2.78	—	—	—
PS1 75/100 guarantee policy	3.13	3.11	3.12	3.18	—
PS1 100/100 guarantee policy	3.57	3.55	3.57	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	10.13	8.85	19.83	22.67	15.35

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN ASSET ALLOCATION FUND (FIDELITY) SF191

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Asset Allocation Fund (Fidelity) SF191

We have audited the accompanying financial statements of Canadian Asset Allocation Fund (Fidelity) SF191, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Asset Allocation Fund (Fidelity) SF191 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Asset Allocation Fund (Fidelity) SF191

(in Canadian \$ thousands)

Fund Manager: Fidelity Investments Canada ULC

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	129
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	148,824	171,622
Total investments	148,824	171,622
Total assets	\$ 148,824	\$ 171,751
Liabilities		
Overdrafts	\$ 47	\$ 132
Due to The Canada Life Assurance Company (note 8)	261	153
Due to brokers	36	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	344	285
Net assets attributable to contractholders	\$ 148,480	\$ 171,466

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 6,152	\$ 14,870	—
Miscellaneous income (loss)	—	—	—
Total income	6,152	14,870	—
Expenses			
Management fees (note 8)	4,532	4,906	—
Other	491	522	—
Total expenses	5,023	5,428	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,129	\$ 9,442	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 171,466	\$ 180,933	\$ 180,933	\$ 180,933
Contractholder deposits	1,493	5,946	—
Contractholder withdrawals	(25,608)	(24,855)	—
Increase (decrease) in net assets from operations attributable to contractholders	1,129	9,442	—
Change in net assets attributable to contractholders	(22,986)	(9,467)	—
Net assets attributable to contractholders - end of year	\$ 148,480	\$ 171,466	—

Canadian Asset Allocation Fund (Fidelity) SF191

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,129	\$ 9,442
Adjustments		
Realized (gains) losses	(10,711)	(14,973)
Unrealized (gains) losses	7,185	2,353
Gross proceeds of disposition of investments	110,087	122,736
Gross payments for the purchase of investments	(81,136)	(98,735)
Change in distribution income of underlying mutual fund	(2,627)	(2,250)
Change in due from/to The Canada Life Assurance Company	108	263
Change in due from/to brokers	165	138
	24,200	18,974
Financing Activities		
Contractholder deposits	1,493	5,946
Contractholder withdrawals	(25,608)	(24,855)
	(24,115)	(18,909)
Net increase (decrease) in cash, short-term deposits and overdrafts	85	65
Cash, short-term deposits and overdrafts, beginning of year	(132)	(197)
Cash, short-term deposits and overdrafts, end of year	\$ (47)	\$ (132)

Canadian Asset Allocation Fund (Fidelity) SF191

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Fidelity North Star Balanced Fund Series O	11,859,903	146,697	148,824
Total Investments		146,697	148,824

Top 25 Holdings

Security Description	% of Total
Royal Bank of Canada	4.23%
The Toronto-Dominion Bank	4.06%
Suncor Energy Inc.	3.59%
Canadian Natural Resources Ltd.	2.29%
TransCanada Corp.	2.05%
iShares TIPS Bond ETF	2.01%
Brookfield Asset Management Inc. voting Class A	1.95%
Constellation Software Inc.	1.94%
Metro Inc.	1.93%
Loblaw Companies Ltd.	1.87%
Restaurant Brands International Inc.	1.83%
BCE Inc.	1.78%
The Bank of Nova Scotia	1.71%
Alimentation Couche-Tard Inc. Class B sub. voting	1.42%
First Quantum Minerals Inc.	1.32%
Prairiesky Royalty Ltd.	1.24%
Ishares 20+ Year Treasury Bond ETF	1.19%
Bank of Montreal	1.06%
Franco-Nevada Corp.	1.03%
TELUS Corp.	0.98%
CGI Groupe Inc. Class A sub-voting	0.91%
Methanex Corp.	0.91%
Rogers Communications Inc. Class B non-voting	0.89%
Fortis Inc.	0.88%
Sun Life Financial Inc.	0.87%

Canadian Asset Allocation Fund (Fidelity) SF191

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	3,565,988	4,149,128	4,809,648	5,506,848	6,395,005	85,852	99,258	109,025	126,939	135,487
Generations I	1,097,252	1,338,198	1,526,483	1,750,102	1,846,803	16,224	19,655	21,237	24,752	23,999
Generations II	378,654	546,054	727,370	767,627	801,122	4,744	6,817	8,628	9,285	8,931
Generations Core	341,986	457,057	550,106	512,830	490,005	4,411	5,856	6,677	6,328	5,555
Group	83,295	131,225	145,017	193,657	220,237	—	—	—	—	—
75/75 guarantee policy	332,366	331,652	325,408	272,063	263,726	4,443	4,404	4,093	3,479	3,099
75/100 guarantee policy	1,303,338	1,243,389	1,561,934	1,392,002	1,165,256	17,415	16,504	19,639	17,793	13,686
100/100 guarantee policy	282,637	318,674	362,507	423,846	468,609	3,687	4,142	4,477	5,338	5,439
PS1 75/75 guarantee policy	33,700	75,543	9,215	2,287	—	452	1,000	115	29	—
PS1 75/100 guarantee policy	515,559	567,432	126,830	25,325	14,498	6,866	7,470	1,574	318	166
PS1 100/100 guarantee policy	70,338	113,176	—	—	—	923	1,472	—	—	—
PS2 75/75 guarantee policy	25,053	25,069	30,496	1,058	1,084	387	373	417	14	13
PS2 75/100 guarantee policy	27,991	20,566	59,828	52,677	33,204	433	306	818	709	398
PS2 100/100 guarantee policy	8,059	8,696	8,892	9,097	9,303	125	129	121	122	111

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	24.08	23.92	22.67	23.05	21.19	0.16	1.25
Generations I	14.79	14.69	13.91	14.14	12.99	0.10	0.78
Generations II	12.53	12.48	11.86	12.10	11.15	0.05	0.62
Generations Core	12.90	12.81	12.14	12.34	11.34	0.09	0.67
Group	—	—	—	—	—	—	—
75/75 guarantee policy	13.37	13.28	12.58	12.79	11.75	0.09	0.70
75/100 guarantee policy	13.36	13.27	12.57	12.78	11.75	0.09	0.70
100/100 guarantee policy	13.05	13.00	12.35	12.59	11.61	0.05	0.65
PS1 75/75 guarantee policy	13.42	13.24	12.46	12.59	—	0.18	0.78
PS1 75/100 guarantee policy	13.32	13.17	12.41	12.56	11.48	0.15	0.76
PS1 100/100 guarantee policy	13.13	13.01	—	—	—	0.12	0.58
PS2 75/75 guarantee policy	15.45	14.88	13.66	13.46	11.98	0.57	1.22
PS2 75/100 guarantee policy	15.46	14.89	13.67	13.46	11.99	0.57	1.22
PS2 100/100 guarantee policy	15.45	14.87	13.65	13.45	11.98	0.58	1.22

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Asset Allocation Fund (Fidelity) SF191 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Asset Allocation Fund (Fidelity) SF191
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Asset Allocation Fund (Fidelity) SF191

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Asset Allocation Fund (Fidelity) SF191

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.19	3.17	3.17	3.18	3.17
Generations I	3.16	3.14	3.14	3.15	3.14
Generations II	3.47	3.45	3.44	3.46	3.45
Generations Core	3.16	3.14	3.14	3.15	3.14
75/75 guarantee policy	3.16	3.14	3.14	3.15	3.14
75/100 guarantee policy	3.16	3.15	3.14	3.15	3.15
100/100 guarantee policy	3.47	3.45	3.44	3.46	3.45
PS1 75/75 guarantee policy	2.51	2.49	2.49	2.50	—
PS1 75/100 guarantee policy	2.67	2.66	2.65	2.66	2.66
PS1 100/100 guarantee policy	2.90	2.88	—	—	—

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	50.09	56.19	2.30	1.06	4.09

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (YMG) SF123

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (YMG) SF123

We have audited the accompanying financial statements of Canadian Equity Fund (YMG) SF123, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (YMG) SF123 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (YMG) SF123

(in Canadian \$ thousands)

Fund Manager: Fiera Capital Corporation

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	1
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>855</u>	<u>918</u>
Total investments	<u>855</u>	<u>918</u>
Total assets	<u><u>\$ 855</u></u>	<u><u>\$ 919</u></u>
Liabilities		
Overdrafts	\$ 1	\$ 2
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>1</u>	<u>2</u>
Net assets attributable to contractholders	<u><u>\$ 854</u></u>	<u><u>\$ 917</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 109	\$ 133
Miscellaneous income (loss)	—	—
Total income	<u>109</u>	<u>133</u>
Expenses		
Management fees (note 8)	13	12
Other	1	1
Total expenses	<u>14</u>	<u>13</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 95</u>	<u>\$ 120</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 917	\$ 861	
Contractholder deposits	222	3
Contractholder withdrawals	(380)	(67)
Increase (decrease) in net assets from operations attributable to contractholders	<u>95</u>	<u>120</u>
Change in net assets attributable to contractholders	<u>(63)</u>	<u>56</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 854</u></u>	<u><u>\$ 917</u></u>

Canadian Equity Fund (YMG) SF123

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 95	\$ 120
Adjustments		
Realized (gains) losses	214	2
Unrealized (gains) losses	(160)	46
Gross proceeds of disposition of investments	1,439	120
Gross payments for the purchase of investments	(1,267)	(44)
Change in distribution income of underlying mutual fund	(163)	(181)
Change in due from/to brokers	1	1
	<hr/> 159	<hr/> 64
Financing Activities		
Contractholder deposits	222	3
Contractholder withdrawals	(380)	(67)
	<hr/> (158)	<hr/> (64)
Net increase (decrease) in cash, short-term deposits and overdrafts	1	—
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (2)	<hr/> (2)
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ (1)	<hr/> \$ (2)

Canadian Equity Fund (YMG) SF123

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Fiera Capital Canadian Equity Fund	93,268	814	855
Total Investments		814	855
Top 25 Holdings			
Security Description		% of Total	
Royal Bank of Canada		4.61%	
Constellation Software		4.26%	
The Toronto-Dominion Bank		4.23%	
Canadian National Railway Co.		3.95%	
Brookfield Asset Management Inc. Class A limited voting		3.90%	
The Bank of Nova Scotia		3.88%	
Toromont Industries Ltd.		3.58%	
Aliment Couche-Tard Inc. Class B sub. voting		3.55%	
Dollarama Inc.		3.47%	
Canadian Pacific Railway Ltd.		3.43%	
CGI Group Inc. Class A sub. voting		3.18%	
Intact Financial Corp.		3.15%	
Quebecor Inc. Class B sub. voting		3.10%	
Rogers Communication Inc. Class B non-voting		3.08%	
Metro Inc .		3.06%	
TELUS Corp.		3.03%	
Open Text Corp.		3.01%	
Prairiesky Royalty Co.		2.99%	
Saputo Inc.		2.97%	
Suncor Energy Inc.		2.73%	
National Bank of Canada		2.72%	
Thomson Reuters Corp.		2.62%	
Great-West Lifeco Inc.*		2.57%	
Bank of Montreal		2.56%	
Imperial Oil Ltd.		2.49%	

*The issuer of this security is a related company to the issuer of the fund

Canadian Equity Fund (YMG) SF123

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	26,073	29,527	32,084	41,360	49,368	—	—	—	—	—
Prestige/Prestige Plus	4,257	5,396	5,389	6,674	7,483	89	105	94	129	138

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	20.85	19.54	17.42	19.29	18.43	1.31	2.12

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (YMG) SF123 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (YMG) SF123
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (YMG) SF123
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (YMG) SF123
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (YMG) SF123
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (YMG) SF123

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (YMG) SF123

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.43	3.40	3.40	3.42	3.42

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	127.65	11.28	1.40	17.78	8.77

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (YMG) SF124

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (YMG) SF124

We have audited the accompanying financial statements of Balanced Fund (YMG) SF124, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (YMG) SF124 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (YMG) SF124

(in Canadian \$ thousands)

Fund Manager: Fiera Capital Corporation

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	17
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>4,534</u>	<u>5,664</u>
Total investments	<u>4,534</u>	<u>5,664</u>
Total assets	<u><u>\$ 4,534</u></u>	<u><u>\$ 5,681</u></u>
Liabilities		
Overdrafts	\$ 10	\$ 17
Due to The Canada Life Assurance Company (note 8)	6	1
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>16</u>	<u>18</u>
Net assets attributable to contractholders	<u><u>\$ 4,518</u></u>	<u><u>\$ 5,663</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 540	\$ 387
Miscellaneous income (loss)	—	—
Total income	<u>540</u>	<u>387</u>
Expenses		
Management fees (note 8)	57	60
Other	6	7
Total expenses	<u>63</u>	<u>67</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 477</u>	<u>\$ 320</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 5,663	\$ 6,069	
Contractholder deposits	102	19
Contractholder withdrawals	(1,724)	(745)
Increase (decrease) in net assets from operations attributable to contractholders	477	320
Change in net assets attributable to contractholders	(1,145)	(406)
Net assets attributable to contractholders - end of year	<u><u>\$ 4,518</u></u>	<u><u>\$ 5,663</u></u>

Balanced Fund (YMG) SF124

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 477	\$ 320
Adjustments		
Realized (gains) losses	(128)	216
Unrealized (gains) losses	(124)	410
Gross proceeds of disposition of investments	1,797	6,634
Gross payments for the purchase of investments	(126)	(5,926)
Change in distribution income of underlying mutual fund	(289)	(1,013)
Change in due from/to The Canada Life Assurance Company	5	72
Change in due from/to brokers	17	(59)
	<hr/> 1,629	<hr/> 654
Financing Activities		
Contractholder deposits	102	19
Contractholder withdrawals	<hr/> (1,724)	<hr/> (745)
	<hr/> (1,622)	<hr/> (726)
Net increase (decrease) in cash, short-term deposits and overdrafts	7	(72)
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (17)	<hr/> 55
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ (10)	<hr/> <hr/> \$ (17)

Balanced Fund (YMG) SF124

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Fiera Capital Balanced Core Fund	21,450	4,080	4,534
Total Investments		4,080	4,534

Top Holdings

Underlying fund: Fiera Capital Canadian Equity Fund

Security Description	% of Total
Royal Bank of Canada	4.61%
Constellation Software	4.26%
The Toronto-Dominion Bank	4.23%
Canadian National Railway Co.	3.95%
Brookfield Asset Management Inc. Class A limited voting	3.90%

Underlying fund: Fiera Capital Active Fixed Income

Security Description	% of Total
Fiera Active Short Term Canadian Municipal Bond Fund	14.48%
Government of Canada 0.50% 02-01-2019	7.59%
Province of Ontario 2.85% 06-02-2023	5.94%
Government of Canada 2.75% 12-01-2048	3.55%
Province of Ontario 2.90% 12-02-2046	3.54%

Underlying fund: Fiera Capital Global Equity

Security Description	% of Total
Moody's Corp.	5.36%
Keyence Corp.	4.85%
Mastercard Inc. Class A	4.22%
Johnson & Johnson	3.97%
Becton, Dickinson & Co.	3.93%

Balanced Fund (YMG) SF124

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
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Top Holdings (continued)

Underlying fund: Fiera Capital Short Term

Security Description	% of Total
Canadian Imperial Bank of Commerce 2.22% 03-07-2018	14.14%
Royal Bank of Canada 2.26% 03-12-2018	8.44%
The Toronto-Dominion Bank 2.171% 04-02-2018	4.44%
Honda Canada Finance Inc.03-12-2018	4.39%
The Bank of Nova Scotia 02-27-2018	3.98%

Balanced Fund (YMG) SF124

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	146,365	194,852	219,385	230,228	369,910	—	—	—	—	—
Prestige/Prestige Plus	8,058	8,271	11,310	11,552	12,887	171	164	218	219	227

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	21.26	19.88	19.23	18.93	17.65	1.38	0.65

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (YMG) SF124 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Balanced Fund (YMG) SF124
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Balanced Fund (YMG) SF124

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.30	3.34	3.33	3.35	3.35

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	2.36	113.46	6.43	8.58	14.71

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INTERNATIONAL EQUITY FUND (TEMPLETON) SF118

December 31, 2017



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Canada

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Independent Auditor's Report

To the Contractholders of International Equity Fund (Templeton) SF118

We have audited the accompanying financial statements of International Equity Fund (Templeton) SF118, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Equity Fund (Templeton) SF118 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

International Equity Fund (Templeton) SF118

(in Canadian \$ thousands)

Fund Manager: Franklin Templeton Investments Corp.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 153	\$ 30
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	47	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>24,579</u>	21,011
Total investments	<u>24,579</u>	21,011
Total assets	<u><u>\$ 24,779</u></u>	<u>\$ 21,041</u>
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	18
Due to brokers	54	30
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>54</u>	48
Net assets attributable to contractholders	<u><u>\$ 24,725</u></u>	<u>\$ 20,993</u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 3,277	\$ (683)	—
Miscellaneous income (loss)	—	—	—
Total income	<u>3,277</u>	(683)	—
Expenses			
Management fees (note 8)	470	478	—
Other	50	48	—
Total expenses	<u>520</u>	526	—
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 2,757</u>	<u>\$ (1,209)</u>	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 20,993	\$ 26,698	—
Contractholder deposits	4,213	356	—
Contractholder withdrawals	(3,238)	(4,852)	—
Increase (decrease) in net assets from operations attributable to contractholders	2,757	(1,209)	—
Change in net assets attributable to contractholders	3,732	(5,705)	—
Net assets attributable to contractholders - end of year	<u>\$ 24,725</u>	<u>\$ 20,993</u>	—

International Equity Fund (Templeton) SF118

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,757	\$ (1,209)
Adjustments		
Realized (gains) losses	(544)	(464)
Unrealized (gains) losses	(2,035)	1,746
Gross proceeds of disposition of investments	3,376	6,983
Gross payments for the purchase of investments	(3,667)	(2,009)
Change in distribution income of underlying mutual fund	(698)	(598)
Change in due from/to The Canada Life Assurance Company	(65)	13
Change in due from/to brokers	24	147
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(852)	4,609
Financing Activities		
Contractholder deposits	4,213	356
Contractholder withdrawals	(3,238)	(4,852)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	975	(4,496)
Net increase (decrease) in cash, short-term deposits and overdrafts	123	113
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	\$ 153	\$ 30

International Equity Fund (Templeton) SF118

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Templeton International Stock Trust Fund Pooled	1,032,723	20,547	24,579
Total Investments		20,547	24,579

Top 25 Holdings

Security Description	% of Total
Samsung Electronics Co. Ltd.	2.82%
BP PLC	2.19%
Royal Dutch Shell PLC Class B	2.17%
Standard Chartered PLC	1.95%
Suntory Beverage & Food Ltd.	1.89%
HSBC Holdings PLC	1.83%
Roche Holding AG	1.82%
UBS Group AG	1.80%
AXA SA	1.77%
BNP Paribas SA	1.75%
Vodafone Group PLC	1.72%
Telenor ASA	1.67%
SoftBank Group Corp.	1.61%
CRH PLC	1.53%
Eni SPA	1.51%
Ryohin Keikaku Co. Ltd.	1.51%
Teva Pharmaceutical Industries Ltd. ADR	1.49%
Sanofi SA	1.46%
Siemens AG	1.45%
BAE Systems PLC	1.43%
Baidu Inc. ADR	1.40%
Lanxess AG	1.39%
Kingfisher PLC	1.37%
Panasonic Corp.	1.36%
China Telecom Corp. Ltd. Class H	1.35%

International Equity Fund (Templeton) SF118

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	517,221	578,348	739,676	773,863	911,244	6,453	6,447	8,659	8,037	9,633
Generations I	115,860	133,283	164,023	172,085	181,313	1,435	1,474	1,902	1,769	1,895
Generations II	31,677	48,677	60,126	65,424	89,675	328	451	587	568	794
Generations Core	78,784	59,278	68,398	80,987	69,548	857	575	695	728	634
Group	134,809	158,791	287,500	450,057	471,139	—	—	—	—	—
Prestige/Prestige Plus	4,807	843	5,167	3,411	2,675	64	10	64	38	30
75/75 guarantee policy	66,221	41,426	57,169	51,792	40,929	1,001	558	807	647	519
75/100 guarantee policy	137,645	105,774	149,084	110,583	99,830	2,049	1,406	2,078	1,366	1,254
100/100 guarantee policy	47,675	54,475	66,458	57,814	120,440	695	711	913	706	1,501
PS1 75/75 guarantee policy	50,343	16,904	643	—	—	934	278	11	—	—
PS1 75/100 guarantee policy	60,085	37,732	10,168	5,375	—	1,094	611	172	80	—
PS1 100/100 guarantee policy	13,682	—	—	—	—	243	—	—	—	—
PS2 75/75 guarantee policy	12,446	13,671	11,812	1,114	1,145	271	256	224	18	18
PS2 75/100 guarantee policy	12,751	15,823	6,672	—	391	277	297	127	—	6
PS2 100/100 guarantee policy	8,157	—	—	—	—	177	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	12.48	11.15	11.71	10.39	10.57	1.33	(0.56)
Generations I	12.39	11.06	11.60	10.28	10.45	1.33	(0.54)
Generations II	10.35	9.27	9.76	8.68	8.85	1.08	(0.49)
Generations Core	10.88	9.70	10.15	8.98	9.12	1.18	(0.45)
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	13.26	11.85	12.44	11.04	11.23	1.41	(0.59)
75/75 guarantee policy	15.12	13.47	14.11	12.48	12.67	1.65	(0.64)
75/100 guarantee policy	14.89	13.29	13.94	12.35	12.56	1.60	(0.65)
100/100 guarantee policy	14.58	13.05	13.74	12.22	12.46	1.53	(0.69)
PS1 75/75 guarantee policy	18.56	16.45	17.14	—	—	2.11	(0.69)
PS1 75/100 guarantee policy	18.21	16.20	16.93	14.95	—	2.01	(0.73)
PS1 100/100 guarantee policy	17.77	—	—	—	—	0.75	—
PS2 75/75 guarantee policy	21.76	18.76	19.00	16.26	15.96	3.00	(0.24)
PS2 75/100 guarantee policy	21.75	18.75	18.99	—	15.96	3.00	(0.24)
PS2 100/100 guarantee policy	21.74	—	—	—	—	2.26	—

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The International Equity Fund (Templeton) SF118 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

International Equity Fund (Templeton) SF118
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

International Equity Fund (Templeton) SF118

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

International Equity Fund (Templeton) SF118

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.64	3.61	3.63	3.60	3.63
Generations I	3.53	3.50	3.52	3.49	3.52
Generations II	3.87	3.83	3.85	3.83	3.86
Generations Core	3.35	3.33	3.35	3.33	3.36
Prestige/Prestige Plus	3.63	3.63	3.63	3.60	3.65
75/75 guarantee policy	3.35	3.33	3.35	3.32	3.37
75/100 guarantee policy	3.52	3.50	3.52	3.49	3.55
100/100 guarantee policy	3.87	3.83	3.85	3.83	3.88
PS1 75/75 guarantee policy	2.83	2.80	2.81	—	—
PS1 75/100 guarantee policy	3.16	3.13	3.16	3.12	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	15.00	8.76	19.91	10.60	17.66

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (GREYSTONE) SF208

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Greystone) SF208

We have audited the accompanying financial statements of Balanced Fund (Greystone) SF208, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Greystone) SF208 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Greystone) SF208

(in Canadian \$ thousands)

Fund Manager: Greystone Managed Investments Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 62	\$ 35
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	78	209
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>58,146</u>	<u>75,893</u>
Total investments	<u>58,146</u>	<u>75,893</u>
Total assets	<u><u>\$ 58,286</u></u>	<u><u>\$ 76,137</u></u>
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>—</u>	<u>—</u>
Net assets attributable to contractholders	<u><u>\$ 58,286</u></u>	<u><u>\$ 76,137</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 7,239	\$ 3,349
Miscellaneous income (loss)	—	—
Total income	<u>7,239</u>	<u>3,349</u>
Expenses		
Management fees (note 8)	1,194	1,163
Other	106	99
Total expenses	<u>1,300</u>	<u>1,262</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 5,939</u></u>	<u><u>\$ 2,087</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 76,137	\$ 79,066	
Contractholder deposits	12,426	2,101
Contractholder withdrawals	(36,216)	(7,117)
Increase (decrease) in net assets from operations attributable to contractholders	5,939	2,087
Change in net assets attributable to contractholders	(17,851)	(2,929)
Net assets attributable to contractholders - end of year	<u><u>\$ 58,286</u></u>	<u><u>\$ 76,137</u></u>

Balanced Fund (Greystone) SF208

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,939	\$ 2,087
Adjustments		
Realized (gains) losses	(5,612)	(1,340)
Unrealized (gains) losses	208	1,221
Gross proceeds of disposition of investments	35,846	11,086
Gross payments for the purchase of investments	(10,859)	(4,617)
Change in distribution income of underlying mutual fund	(1,836)	(3,230)
Change in due from/to The Canada Life Assurance Company	131	(172)
	<hr/> 23,817	<hr/> 5,035
Financing Activities		
Contractholder deposits	12,426	2,101
Contractholder withdrawals	<hr/> (36,216)	<hr/> (7,117)
	<hr/> (23,790)	<hr/> (5,016)
Net increase (decrease) in cash, short-term deposits and overdrafts	27	19
Cash, short-term deposits and overdrafts, beginning of year	35	16
Cash, short-term deposits and overdrafts, end of year	\$ 62	\$ 35

Balanced Fund (Greystone) SF208

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Greystone Balanced Fund Pooled	2,381,752	48,023	58,146
Total Investments		48,023	58,146

Top Holdings

Underlying fund: Canadian Equity

Security Description	% of Total
The Toronto-Dominion Bank	7.93%
Royal Bank of Canada	7.70%
The Bank of Nova Scotia	6.32%
Enbridge Inc.	4.57%
Suncor Energy Inc.	4.40%

Underlying fund: Short Bond Fund

Security Description	% of Total
Government of Canada	40.60%
The Toronto-Dominion Bank	7.34%
Province of Quebec	6.91%
The Bank of Nova Scotia	6.60%
National Bank of Canada	6.12%

Underlying fund: Universe Bonds

Security Description	% of Total
Canada Housing Trust No. 1 2.00% 12-15-2019	11.66%
Canada Housing Trust No. 1 1.25% 06-15-2021	6.86%
Government of Canada 1.00% 09-01-2022	4.19%
Province of Ontario 3.45% 06-02-2045	4.14%
Government of Canada 2.25% 06-01-2025	3.88%

Balanced Fund (Greystone) SF208

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
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Top Holdings (continued)

Underlying fund: International Equity Fund

Security Description	% of Total
Deutsche Post AG	3.25%
Atlas Copco AB	3.23%
Statoil ASA	3.11%
Nidec Corp.	3.09%
Sumitomo Mitsui FG	3.04%

Underlying fund: US Equity Fund

Security Description	% of Total
Microsoft Corp.	3.75%
Apple Inc.	3.69%
Chevron Corp.	3.22%
Alphabet Inc.	3.12%
JPMorgan Chase & Co.	2.97%

Balanced Fund (Greystone) SF208

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	346,366	1,286,890	1,435,347	2,135,486	2,186,507	—	—	—	—	—
Prestige/Prestige Plus	8,867	9,834	10,970	10,253	11,439	169	174	192	171	176
75/75 guarantee policy	359,655	343,866	320,893	259,204	231,686	5,523	4,904	4,508	3,446	2,830
75/100 guarantee policy	2,075,098	1,772,707	2,107,497	1,507,505	1,581,116	31,798	25,239	29,574	20,031	19,316
100/100 guarantee policy	90,842	85,991	185,911	58,878	49,143	1,374	1,210	2,583	776	596
PS1 75/75 guarantee policy	69,512	69,312	4,091	—	—	1,059	975	56	—	—
PS1 75/100 guarantee policy	432,899	313,731	119,368	16,701	13,836	6,548	4,388	1,638	216	164
PS1 100/100 guarantee policy	103,955	110,296	—	—	—	1,551	1,525	—	—	—
PS2 75/75 guarantee policy	3,253	3,326	3,400	—	—	56	52	51	—	—
PS2 75/100 guarantee policy	51,709	27,033	32,270	—	—	896	423	483	—	—
PS2 100/100 guarantee policy	—	—	7,429	—	—	—	—	111	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	19.01	17.73	17.54	16.68	15.40	1.28	0.19
75/75 guarantee policy	15.36	14.26	14.05	13.29	12.22	1.10	0.21
75/100 guarantee policy	15.32	14.24	14.03	13.29	12.22	1.08	0.21
100/100 guarantee policy	15.13	14.08	13.90	13.18	12.13	1.05	0.18
PS1 75/75 guarantee policy	15.24	14.07	13.78	—	—	1.17	0.29
PS1 75/100 guarantee policy	15.13	13.99	13.72	12.93	11.83	1.14	0.27
PS1 100/100 guarantee policy	14.92	13.83	—	—	—	1.09	0.67
PS2 75/75 guarantee policy	17.33	15.64	14.97	—	—	1.69	0.67
PS2 75/100 guarantee policy	17.33	15.64	14.97	—	—	1.69	0.67
PS2 100/100 guarantee policy	—	—	14.97	—	—	—	—

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Greystone) SF208 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Balanced Fund (Greystone) SF208

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Balanced Fund (Greystone) SF208

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.34	3.31	3.30	3.31	3.31
75/75 guarantee policy	2.88	2.85	2.85	2.85	2.86
75/100 guarantee policy	2.93	2.91	2.91	2.91	2.91
100/100 guarantee policy	3.08	3.08	3.06	3.06	3.06
PS1 75/75 guarantee policy	2.29	2.28	2.27	—	—
PS1 75/100 guarantee policy	2.45	2.42	2.43	2.44	2.44
PS1 100/100 guarantee policy	2.67	2.66	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	15.38	5.95	27.04	5.98	6.21

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
FIXED INCOME FUND (GREYSTONE) SF209

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Fixed Income Fund (Greystone) SF209

We have audited the accompanying financial statements of Fixed Income Fund (Greystone) SF209, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fixed Income Fund (Greystone) SF209 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Fixed Income Fund (Greystone) SF209

(in Canadian \$ thousands)

Fund Manager: Greystone Managed Investments Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	16,884	18,685
Total investments	16,884	18,685
Total assets	\$ 16,884	\$ 18,685
Liabilities		
Overdrafts	\$ 53	\$ 1
Due to The Canada Life Assurance Company (note 8)	19	5
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	72	6
Net assets attributable to contractholders	\$ 16,812	\$ 18,679

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 512	\$ 487	—
Miscellaneous income (loss)	—	—	—
Total income	512	487	—
Expenses			
Management fees (note 8)	28	33	—
Other	3	4	—
Total expenses	31	37	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 481	\$ 450	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 18,679	\$ 20,689	—
Contractholder deposits	230	748	—
Contractholder withdrawals	(2,578)	(3,208)	—
Increase (decrease) in net assets from operations attributable to contractholders	481	450	—
Change in net assets attributable to contractholders	(1,867)	(2,010)	—
Net assets attributable to contractholders - end of year	\$ 16,812	\$ 18,679	—

Fixed Income Fund (Greystone) SF209

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 481	\$ 450
Adjustments		
Realized (gains) losses	40	(12)
Unrealized (gains) losses	(63)	268
Gross proceeds of disposition of investments	2,361	3,174
Gross payments for the purchase of investments	(48)	(792)
Change in distribution income of underlying mutual fund	(489)	(743)
Change in due from/to The Canada Life Assurance Company	14	5
	2,296	2,350
Financing Activities		
Contractholder deposits	230	748
Contractholder withdrawals	(2,578)	(3,208)
	(2,348)	(2,460)
Net increase (decrease) in cash, short-term deposits and overdrafts	(52)	(110)
Cash, short-term deposits and overdrafts, beginning of year	(1)	109
Cash, short-term deposits and overdrafts, end of year	\$ (53)	\$ (1)

Fixed Income Fund (Greystone) SF209

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Greystone Fixed Income Fund Pooled	1,509,201	17,019	16,884
Total Investments		17,019	16,884

Fixed Income Fund (Greystone) SF209

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	94,124	119,665	133,362	120,140	128,085	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fixed Income Fund (Greystone) SF209 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fixed Income Fund (Greystone) SF209
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Fixed Income Fund (Greystone) SF209
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Fixed Income Fund (Greystone) SF209

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
EX-CROWN-BALANCED FUND (GUARDIAN) SF207

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Ex-Crown-Balanced Fund (Guardian) SF207

We have audited the accompanying financial statements of Ex-Crown-Balanced Fund (Guardian) SF207, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ex-Crown-Balanced Fund (Guardian) SF207 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Ex-Crown-Balanced Fund (Guardian) SF207

(in Canadian \$ thousands)

Fund Manager: Guardian Capital LP

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	166	164
Total investments	166	164
Total assets	\$ 166	\$ 164
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 166	\$ 164

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 13	\$ 12
Miscellaneous income (loss)	—	—
Total income	13	12
Expenses		
Management fees (note 8)	5	5
Other	1	—
Total expenses	6	5
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 7	\$ 7

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 164	\$ 176	\$ 176
Contractholder deposits	—	—
Contractholder withdrawals	(5)	(19)
Increase (decrease) in net assets from operations attributable to contractholders	7	7
Change in net assets attributable to contractholders	2	(12)
Net assets attributable to contractholders - end of year	\$ 166	\$ 164

Ex-Crown-Balanced Fund (Guardian) SF207

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 7	\$ 7
Adjustments		
Unrealized (gains) losses	(4)	(4)
Gross proceeds of disposition of investments	11	24
Change in distribution income of underlying mutual fund	(9)	(8)
	<hr/> 5	<hr/> 19
Financing Activities		
Contractholder deposits	—	—
Contractholder withdrawals	<hr/> (5)	<hr/> (19)
	<hr/> (5)	<hr/> (19)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	—	—
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ —	<hr/> \$ —

Ex-Crown-Balanced Fund (Guardian) SF207

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Guardian Balanced Fund Series 1	10,877	164	166
Total Investments		164	166
Top Holdings			
Security Description		% of Total	
Guardian Canadian Bond Fund		37.75%	
Guardian Canadian Equity Fund		34.37%	
Guardian Global Equity Fund		14.22%	
Guardian Global Dividend Growth Fund		13.45%	
Cash and short-term deposits		0.22%	

Underlying fund: Guardian Canadian Bond Fund

Security Description	% of Total
Province of Ontario 5.85% 03-08-2033	9.85%
Province of Ontario 2.60% 06-02-2025	5.67%
Cash and short-term deposits	5.16%
Government of Canada 4.00% 06-01-2041	5.05%
Government of Canada 2.25% 06-01-2025	4.96%

Underlying fund: Guardian Canadian Equity Fund

Security Description	% of Total
The Toronto-Dominion Bank	5.47%
Royal Bank of Canada	5.20%
The Bank of Nova Scotia	5.06%
Bank of Montreal	5.01%
Canadian Natural Resources Ltd.	4.58%

Ex-Crown-Balanced Fund (Guardian) SF207

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
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Top Holdings (continued)

Underlying fund: Guardian Global Equity Fund

Security Description	% of Total
Facebook Inc.	2.11%
Apple Inc.	1.76%
Intel Corp.	1.58%
UnitedHealth Group Inc.	1.47%
Altria Group Inc.	1.39%

Underlying fund: Guardian Global Dividend Growth Fund

Security Description	% of Total
Bank of America Corp.	2.66%
British American Tobacco PLC	2.60%
Apple Inc.	2.34%
Illinois Tool Works Inc.	2.31%
McDonald's Corp.	2.29%

Ex-Crown-Balanced Fund (Guardian) SF207

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	1,441	1,558	1,682	1,842	2,009	—	—	—	—	—
Prestige/Prestige Plus	6,752	6,913	7,792	12,552	12,343	132	129	140	220	200

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	19.50	18.59	17.94	17.54	16.24	0.91	0.65

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Ex-Crown-Balanced Fund (Guardian) SF207 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Ex-Crown-Balanced Fund (Guardian) SF207
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Ex-Crown-Balanced Fund (Guardian) SF207
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Ex-Crown-Balanced Fund (Guardian) SF207

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Ex-Crown-Balanced Fund (Guardian) SF207

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.44	3.45	3.44	3.44	3.43

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	—	14.03	16.67	1.48	106.87

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
GLOBAL EQUITY FUND (TRIMARK) SF051

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Global Equity Fund (Trimark) SF051

We have audited the accompanying financial statements of Global Equity Fund (Trimark) SF051, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Equity Fund (Trimark) SF051 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Global Equity Fund (Trimark) SF051

(in Canadian \$ thousands)

Fund Manager: Invesco Canada Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	20	336
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>123,148</u>	121,871
Total investments	<u>123,148</u>	121,871
Total assets	<u><u>\$ 123,168</u></u>	<u><u>\$ 122,207</u></u>
Liabilities		
Overdrafts	\$ 79	\$ 261
Due to The Canada Life Assurance Company (note 8)	250	59
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>329</u>	<u>320</u>
Net assets attributable to contractholders	<u><u>\$ 122,839</u></u>	<u><u>\$ 121,887</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 16,298	\$ 8,546
Miscellaneous income (loss)	—	—
Total income	<u>16,298</u>	8,546
Expenses		
Management fees (note 8)	1,882	1,868
Other	193	190
Total expenses	<u>2,075</u>	2,058
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 14,223</u>	<u>\$ 6,488</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 121,887	\$ 115,121	
Contractholder deposits	11,954	17,935
Contractholder withdrawals	(25,225)	(17,657)
Increase (decrease) in net assets from operations attributable to contractholders	14,223	6,488
Change in net assets attributable to contractholders	952	6,766
Net assets attributable to contractholders - end of year	<u><u>\$ 122,839</u></u>	<u><u>\$ 121,887</u></u>

Global Equity Fund (Trimark) SF051

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 14,223	\$ 6,488
Adjustments		
Realized (gains) losses	(8,336)	(4,180)
Unrealized (gains) losses	(6,331)	(2,446)
Gross proceeds of disposition of investments	22,691	12,330
Gross payments for the purchase of investments	(7,670)	(10,789)
Change in distribution income of underlying mutual fund	(1,631)	(1,921)
Change in due from/to The Canada Life Assurance Company	191	192
Change in due from/to brokers	316	(216)
	<hr/> 13,453	<hr/> (542)
Financing Activities		
Contractholder deposits	11,954	17,935
Contractholder withdrawals	<hr/> (25,225)	<hr/> (17,657)
	<hr/> (13,271)	<hr/> 278
Net increase (decrease) in cash, short-term deposits and overdrafts	182	(264)
Cash, short-term deposits and overdrafts, beginning of year	(261)	3
Cash, short-term deposits and overdrafts, end of year	\$ (79)	\$ (261)

Global Equity Fund (Trimark) SF051

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Trimark Fund Series I	1,782,768	76,329	123,148
Total Investments		76,329	123,148
Top 25 Holdings			
Security Description		% of Total	
Visa Inc. Class A		4.50%	
AutoZone Inc.		4.32%	
Wells Fargo & Co.		4.28%	
W.W. Grainger Inc.		4.15%	
Bureau Veritas SA		4.03%	
Express Scripts Holding Co.		4.01%	
Microsoft Corp.		3.98%	
Canadian Dollar Cash Management Fund Series I		3.92%	
Nielsen Holdings PLC		3.45%	
Schlumberger Ltd.		3.30%	
Anheuser-Busch InBev SA NV ADR		3.25%	
Flowserve Corp.		3.02%	
Becton, Dickinson and Co.		3.00%	
Experian PLC		2.99%	
Honeywell International Inc.		2.92%	
Monsanto Co.		2.79%	
The Walt Disney Co.		2.70%	
Unilever NV		2.67%	
British American Tobacco PLC		2.61%	
Cielo SA		2.56%	
Henkel AG & Co. KGaA		2.56%	
SAP SE		2.50%	
Nestle SA		2.46%	
Stericycle Inc.		2.44%	
U.S. Dollar Cash Management Fund Series I		2.43%	

Global Equity Fund (Trimark) SF051

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	1,288,647	1,468,394	1,660,556	1,889,182	2,090,143	31,920	33,108	36,278	35,333	36,252
Generations I	203,688	240,675	236,943	229,340	274,024	3,706	3,970	3,773	3,114	3,437
Generations II	13,311	21,716	25,558	33,160	36,683	205	304	347	385	395
Generations Core	90,805	101,047	87,984	93,040	52,798	1,475	1,486	1,246	1,122	587
Group	108,553	201,003	264,840	234,408	249,238	—	—	—	—	—
75/75 guarantee policy	127,064	116,851	100,017	83,607	57,499	2,917	2,429	2,003	1,426	904
75/100 guarantee policy	368,291	317,027	310,237	237,588	126,440	8,348	6,516	6,154	4,019	1,976
100/100 guarantee policy	89,161	93,962	73,392	45,876	29,705	1,962	1,882	1,424	762	458
PS1 75/75 guarantee policy	31,475	35,969	11,033	5,903	5,858	660	680	200	91	82
PS1 75/100 guarantee policy	224,436	181,561	37,593	11,401	—	4,618	3,375	672	173	—
PS1 100/100 guarantee policy	13,275	4,517	—	—	—	266	82	—	—	—
PS2 75/75 guarantee policy	26,688	19,446	18,663	11,516	11,807	650	416	372	190	174
PS2 75/100 guarantee policy	47,211	51,202	43,936	33,151	18,200	1,150	1,094	877	546	268
PS2 100/100 guarantee policy	—	—	469	—	—	—	—	9	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	24.77	22.55	21.85	18.70	17.34	2.22	0.70
Generations I	18.19	16.50	15.92	13.58	12.54	1.69	0.58
Generations II	15.38	14.00	13.57	11.62	10.77	1.38	0.43
Generations Core	16.24	14.70	14.17	12.06	11.12	1.54	0.53
Group	—	—	—	—	—	—	—
75/75 guarantee policy	22.96	20.78	20.03	17.05	15.72	2.18	0.75
75/100 guarantee policy	22.67	20.55	19.84	16.92	15.63	2.12	0.71
100/100 guarantee policy	22.00	20.03	19.41	16.61	15.41	1.97	0.62
PS1 75/75 guarantee policy	20.98	18.89	18.11	15.34	14.08	2.09	0.78
PS1 75/100 guarantee policy	20.57	18.59	17.88	15.20	—	1.98	0.71
PS1 100/100 guarantee policy	20.07	18.21	—	—	—	1.86	1.19
PS2 75/75 guarantee policy	24.37	21.37	19.96	16.46	14.71	3.00	1.41
PS2 75/100 guarantee policy	24.37	21.37	19.95	16.46	14.71	3.00	1.42
PS2 100/100 guarantee policy	—	—	19.93	—	—	—	—

Global Equity Fund (Trimark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Global Equity Fund (Trimark) SF051 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Global Equity Fund (Tracemark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Global Equity Fund (Tracemark) SF051
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Global Equity Fund (Tracemark) SF051
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Global Equity Fund (Trimark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Global Equity Fund (Tracemark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Global Equity Fund (Trimark) SF051
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Global Equity Fund (Trimark) SF051
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Global Equity Fund (Trimark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Global Equity Fund (Trimark) SF051

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Global Equity Fund (Trimark) SF051

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.73	3.72	3.72	3.73	3.73
Generations I	3.34	3.33	3.33	3.34	3.35
Generations II	3.75	3.72	3.71	3.73	3.74
Generations Core	3.18	3.16	3.16	3.17	3.18
75/75 guarantee policy	3.17	3.16	3.16	3.17	3.20
75/100 guarantee policy	3.34	3.33	3.33	3.34	3.36
100/100 guarantee policy	3.73	3.71	3.72	3.73	3.75
PS1 75/75 guarantee policy	2.66	2.65	2.64	2.66	2.66
PS1 75/100 guarantee policy	2.99	2.99	2.97	2.98	—
PS1 100/100 guarantee policy	3.42	3.43	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	6.21	9.32	10.40	9.59	11.54

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (TRIMARK) SF054

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Trimark) SF054

We have audited the accompanying financial statements of Balanced Fund (Trimark) SF054, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Trimark) SF054 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Trimark) SF054

(in Canadian \$ thousands)

Fund Manager: Invesco Canada Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ 170
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	236	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>164,833</u>	<u>121,223</u>
Total investments	<u>164,833</u>	<u>121,223</u>
Total assets	<u>\$ 165,069</u>	<u>\$ 121,393</u>
Liabilities		
Overdrafts	\$ 208	\$ —
Due to The Canada Life Assurance Company (note 8)	59	3
Due to brokers	—	136
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	267	139
Net assets attributable to contractholders	\$ 164,802	\$ 121,254

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 13,691	\$ 14,051	—
Miscellaneous income (loss)	—	—	—
Total income			
	13,691	14,051	—
Expenses			
Management fees (note 8)	3,954	3,138	—
Other	427	335	—
Total expenses			
	4,381	3,473	—
Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 9,310	\$ 10,578	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 121,254	\$ 106,384	—
Contractholder deposits	54,705	19,988	—
Contractholder withdrawals	(20,467)	(15,696)	—
Increase (decrease) in net assets from operations attributable to contractholders	9,310	10,578	—
Change in net assets attributable to contractholders	43,548	14,870	—
Net assets attributable to contractholders - end of year			
	\$ 164,802	\$ 121,254	—

Balanced Fund (Trimark) SF054

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 9,310	\$ 10,578
Adjustments		
Realized (gains) losses	(3,384)	(2,866)
Unrealized (gains) losses	(6,450)	(8,755)
Gross proceeds of disposition of investments	13,447	12,046
Gross payments for the purchase of investments	(43,366)	(12,727)
Change in distribution income of underlying mutual fund	(3,857)	(2,430)
Change in due from/to The Canada Life Assurance Company	56	(40)
Change in due from/to brokers	(372)	541
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(34,616)	(3,653)
Financing Activities		
Contractholder deposits	54,705	19,988
Contractholder withdrawals	(20,467)	(15,696)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Net increase (decrease) in cash, short-term deposits and overdrafts	(378)	639
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	\$ (208)	\$ 170

Balanced Fund (Trimark) SF054

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Trimark Income Growth Fund Series I	8,912,326	126,006	164,833
Total Investments		126,006	164,833

Top 25 Holdings

Security Description	% of Total
Canadian Dollar Cash Management Fund Series I	7.91%
Brookfield Asset Management Inc. Class A	5.86%
The Bank of Nova Scotia	3.57%
Onex Corp.	3.24%
Berkshire Hathaway Inc. Class B	3.16%
The Toronto-Dominion Bank	3.11%
Maxar Technologies Ltd.	2.91%
Canadian Natural Resources Ltd.	2.80%
Bank of America Corp.	2.61%
Alphabet Inc. Class C non-voting	2.44%
Fairfax Financial Holdings Ltd.	2.33%
Oracle Corp.	2.24%
Open Text Corp.	2.22%
CarMax Inc.	2.21%
Oaktree Capital Group LLC	2.20%
CI Financial Corp.	2.18%
Power Corp. of Canada*	2.09%
Zimmer Biomet Holdings Inc.	2.07%
UnitedHealth Group Inc.	2.00%
Deere & Co.	1.98%
McKesson Corp.	1.96%
Toromont Industries Ltd.	1.87%
Cognizant Technology Solutions Corp.	1.78%
Alimentation Couche-Tard Inc. Class B	1.75%
Brookfield Property Partners LP	1.51%

*The issuer of this security is a related company to the issuer of the fund.

Balanced Fund (Trimark) SF054

(in Canadian \$ thousands, except per unit amounts)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	2,033,705	2,000,384	2,196,779	2,565,713	2,804,138	54,132	50,183	50,498	58,955	60,542
Generations I	1,561,408	1,465,289	1,227,326	1,044,190	819,269	24,697	21,783	16,673	14,140	10,395
Generations II	335,535	359,348	388,465	320,121	124,531	4,999	5,040	4,987	4,103	1,498
Generations Core	256,956	250,062	249,141	217,083	170,515	3,902	3,567	3,246	2,818	2,073
Group	240,963	250,080	302,468	320,968	320,822	—	—	—	—	—
75/75 guarantee policy	376,736	248,832	222,525	166,300	37,636	6,298	3,908	3,191	2,376	504
75/100 guarantee policy	1,895,611	796,772	715,408	440,983	191,467	31,589	12,479	10,239	6,291	2,560
100/100 guarantee policy	166,289	117,001	126,754	72,243	51,199	2,729	1,808	1,792	1,020	678
PS1 75/75 guarantee policy	138,351	44,035	—	—	—	2,294	680	—	—	—
PS1 75/100 guarantee policy	1,064,502	467,659	85,690	6,672	1,551	17,522	7,182	1,194	92	20
PS1 100/100 guarantee policy	73,946	62,366	—	—	—	1,200	946	—	—	—
PS2 75/75 guarantee policy	27,101	22,489	22,587	23,379	—	512	387	344	344	—
PS2 75/100 guarantee policy	120,106	67,500	60,311	54,494	22,608	2,274	1,163	919	802	302

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	26.62	25.09	22.99	22.98	21.59	1.53	2.10
Generations I	15.82	14.87	13.58	13.54	12.69	0.95	1.29
Generations II	14.90	14.03	12.84	12.82	12.03	0.87	1.19
Generations Core	15.19	14.27	13.03	12.98	12.16	0.92	1.24
Group	—	—	—	—	—	—	—
75/75 guarantee policy	16.72	15.70	14.34	14.29	13.38	1.02	1.36
75/100 guarantee policy	16.66	15.66	14.31	14.27	13.37	1.00	1.35
100/100 guarantee policy	16.41	15.45	14.14	14.12	13.25	0.96	1.31
PS1 75/75 guarantee policy	16.58	15.45	—	—	—	1.13	1.96
PS1 75/100 guarantee policy	16.46	15.36	13.93	13.78	12.82	1.10	1.43
PS1 100/100 guarantee policy	16.22	15.17	—	—	—	1.05	1.91
PS2 75/75 guarantee policy	18.91	17.21	15.22	14.69	—	1.70	1.99
PS2 75/100 guarantee policy	18.93	17.23	15.25	14.71	13.35	1.70	1.98

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Trimark) SF054 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Trimark) SF054

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Balanced Fund (Trimark) SF054

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Balanced Fund (Trimark) SF054
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Balanced Fund (Trimark) SF054

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.52	3.51	3.50	3.52	3.52
Generations I	3.24	3.22	3.23	3.24	3.25
Generations II	3.41	3.39	3.40	3.40	3.44
Generations Core	3.18	3.17	3.17	3.18	3.20
75/75 guarantee policy	3.18	3.17	3.17	3.18	3.21
75/100 guarantee policy	3.22	3.22	3.23	3.24	3.25
100/100 guarantee policy	3.40	3.39	3.40	3.41	3.43
PS1 75/75 guarantee policy	2.32	2.33	—	—	—
PS1 75/100 guarantee policy	2.49	2.49	2.49	2.50	2.50
PS1 100/100 guarantee policy	2.72	2.72	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	9.21	10.63	9.52	9.83	12.53

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (AIM) SF288

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (AIM) SF288

We have audited the accompanying financial statements of Balanced Fund (AIM) SF288, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (AIM) SF288 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (AIM) SF288

(in Canadian \$ thousands)

Fund Manager: Invesco Canada Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	14
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	5,240	7,574
Total investments	5,240	7,574
Total assets	\$ 5,240	\$ 7,588
Liabilities		
Overdrafts	\$ 8	\$ 28
Due to The Canada Life Assurance Company (note 8)	2	2
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	10	30
Net assets attributable to contractholders	\$ 5,230	\$ 7,558

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 377	\$ 472	472
Miscellaneous income (loss)	—	—	—
Total income	377	472	472
Expenses			
Management fees (note 8)	72	85	85
Other	7	8	8
Total expenses	79	93	93
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 298	\$ 379	379

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 7,558	\$ 7,558	\$ 5,915	5,915
Contractholder deposits	162	1,872	1,872
Contractholder withdrawals	(2,788)	(608)	(608)
Increase (decrease) in net assets from operations attributable to contractholders	298	379	379
Change in net assets attributable to contractholders	(2,328)	1,643	1,643
Net assets attributable to contractholders - end of year	\$ 5,230	\$ 7,558	7,558

Balanced Fund (AIM) SF288

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 298	\$ 379
Adjustments		
Realized (gains) losses	(431)	(133)
Unrealized (gains) losses	345	(74)
Gross proceeds of disposition of investments	2,935	957
Gross payments for the purchase of investments	(223)	(2,146)
Change in distribution income of underlying mutual fund	(292)	(265)
Change in due from/to The Canada Life Assurance Company	—	1
Change in due from/to brokers	14	(474)
	2,646	(1,755)
Financing Activities		
Contractholder deposits	162	1,872
Contractholder withdrawals	(2,788)	(608)
	(2,626)	1,264
Net increase (decrease) in cash, short-term deposits and overdrafts	20	(491)
Cash, short-term deposits and overdrafts, beginning of year	(28)	463
Cash, short-term deposits and overdrafts, end of year	\$ (8)	\$ (28)

Balanced Fund (AIM) SF288

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Invesco Canadian Balanced Fund Series I	259,391	4,676	5,240
Total Investments		4,676	5,240

Balanced Fund (AIM) SF288

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	192,824	291,632	249,873	233,993	353,709	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (AIM) SF288 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Balanced Fund (AIM) SF288
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN GROWTH FUND (AIM) SF289

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Growth Fund (AIM) SF289

We have audited the accompanying financial statements of Canadian Growth Fund (AIM) SF289, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Growth Fund (AIM) SF289 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Growth Fund (AIM) SF289
Notes to the Financial Statements
(in Canadian \$ thousands)

Fund Manager: Invesco Canada Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	2	17
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	14,096	14,620
Total investments	14,096	14,620
Total assets	\$ 14,098	\$ 14,637
Liabilities		
Overdrafts	\$ 25	\$ 22
Due to The Canada Life Assurance Company (note 8)	1	12
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	26	34
Net assets attributable to contractholders	\$ 14,072	\$ 14,603

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,020	\$ 968
Miscellaneous income (loss)	—	—
Total income	1,020	968
Expenses		
Management fees (note 8)	400	398
Other	40	42
Total expenses	440	440
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 580	\$ 528

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 14,603	\$ 14,329	
Contractholder deposits	1,285	2,103
Contractholder withdrawals	(2,396)	(2,357)
Increase (decrease) in net assets from operations attributable to contractholders	580	528
Change in net assets attributable to contractholders	(531)	274
Net assets attributable to contractholders - end of year	\$ 14,072	\$ 14,603

Canadian Growth Fund (AIM) SF289

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 580	\$ 528
Adjustments		
Realized (gains) losses	(819)	(878)
Unrealized (gains) losses	(75)	32
Gross proceeds of disposition of investments	3,124	3,741
Gross payments for the purchase of investments	(1,580)	(3,080)
Change in distribution income of underlying mutual fund	(126)	(122)
Change in due from/to The Canada Life Assurance Company	(11)	11
Change in due from/to brokers	15	(269)
	1,108	(37)
Financing Activities		
Contractholder deposits	1,285	2,103
Contractholder withdrawals	(2,396)	(2,357)
	(1,111)	(254)
Net increase (decrease) in cash, short-term deposits and overdrafts	(3)	(291)
Cash, short-term deposits and overdrafts, beginning of year	(22)	269
Cash, short-term deposits and overdrafts, end of year	\$ (25)	\$ (22)

Canadian Growth Fund (AIM) SF289

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Invesco Canadian Premier Growth Class Series I	383,138	10,389	14,096
Total Investments		10,389	14,096

Top 25 Holdings

Security Description	% of Total
Canadian Dollar Cash Management Fund Series I	4.53%
CGI Group Inc. Class A	3.49%
Alimentation Couche-Tard Inc. Class B	3.20%
Brookfield Asset Management Inc. Class A	2.71%
Fairfax Financial Holdings Ltd.	2.68%
PrairieSky Royalty Ltd.	2.30%
Canadian National Railway Co.	2.29%
Onex Corp.	2.24%
The Toronto-Dominion Bank	2.24%
Deutsche Borse AG	2.13%
Open Text Corp.	1.99%
Power Corp. of Canada *	1.96%
SAP SE	1.94%
Celestica Inc.	1.88%
Gran Tierra Energy Inc.	1.88%
Naver Corp.	1.88%
Manulife Financial Corp.	1.86%
Canadian Natural Resources Ltd.	1.77%
Suncor Energy Inc.	1.74%
George Weston Ltd.	1.67%
The Priceline Group Inc.	1.64%
Schneider Electric SE	1.56%
Lloyds Banking Group PLC	1.49%
Microsoft Corp.	1.45%
Amcor Ltd.	1.45%

*The issuer of this security is a related company to the issuer of the fund.

Canadian Growth Fund (AIM) SF289

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	226,722	272,947	331,737	380,673	473,610	4,792	5,581	6,603	7,102	8,224
Generations I	48,781	85,472	101,851	93,734	69,870	768	1,298	1,500	1,290	892
Generations II	8,009	8,150	7,928	7,276	2,819	108	106	100	86	31
Generations Core	26,267	27,043	27,023	25,166	23,588	366	363	352	305	265
Group	58,230	64,094	92,103	38,492	49,694	—	—	—	—	—
75/75 guarantee policy	46,814	43,369	29,300	13,755	6,189	805	718	470	206	86
75/100 guarantee policy	158,214	149,581	126,069	68,999	46,261	2,680	2,443	1,998	1,022	635
100/100 guarantee policy	21,067	15,759	13,356	9,505	5,321	351	254	209	139	73
PS1 75/75 guarantee policy	15,852	15,276	—	—	—	281	259	—	—	—
PS1 75/100 guarantee policy	103,284	76,079	10,823	—	—	1,808	1,277	175	—	—
PS2 75/75 guarantee policy	3,961	6,571	5,306	404	—	81	125	95	7	—
PS2 75/100 guarantee policy	5,508	9,771	5,521	5,680	—	112	186	99	92	—
PS2 100/100 guarantee policy	10,779	11,247	15,518	12,259	12,787	220	214	277	198	185

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	21.13	20.45	19.90	18.66	17.37	0.68	0.55
Generations I	15.74	15.18	14.73	13.76	12.76	0.56	0.45
Generations II	13.46	13.01	12.65	11.84	11.01	0.45	0.36
Generations Core	13.96	13.44	13.01	12.14	11.24	0.52	0.43
Group	—	—	—	—	—	—	—
75/75 guarantee policy	17.19	16.55	16.03	14.95	13.84	0.64	0.52
75/100 guarantee policy	16.94	16.34	15.85	14.80	13.74	0.60	0.49
100/100 guarantee policy	16.67	16.11	15.66	14.67	13.64	0.56	0.45
PS1 75/75 guarantee policy	17.73	16.95	—	—	—	0.78	1.29
PS1 75/100 guarantee policy	17.51	16.78	16.18	—	—	0.73	0.60
PS2 75/75 guarantee policy	20.39	19.02	17.85	16.13	—	1.37	1.17
PS2 75/100 guarantee policy	20.39	19.02	17.85	16.13	—	1.37	1.17
PS2 100/100 guarantee policy	20.40	19.03	17.86	16.14	14.48	1.37	1.17

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Growth Fund (AIM) SF289 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Growth Fund (AIM) SF289

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Growth Fund (AIM) SF289

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.67	3.67	3.67	3.69	3.68
Generations I	3.34	3.33	3.34	3.35	3.35
Generations II	3.55	3.55	3.56	3.57	3.57
Generations Core	3.16	3.16	3.17	3.19	3.18
75/75 guarantee policy	3.16	3.15	3.17	3.18	3.18
75/100 guarantee policy	3.33	3.32	3.34	3.35	3.36
100/100 guarantee policy	3.56	3.55	3.56	3.57	3.57
PS1 75/75 guarantee policy	2.48	2.49	—	—	—
PS1 75/100 guarantee policy	2.70	2.71	2.71	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	10.95	21.23	22.27	14.96	27.65

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
U.S. COMPANIES FUND (TRIMARK) SF329

December 31, 2017



Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

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Independent Auditor's Report

To the Contractholders of U.S. Companies Fund (Trimark) SF329

We have audited the accompanying financial statements of U.S. Companies Fund (Trimark) SF329, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U.S. Companies Fund (Trimark) SF329 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

U.S. Companies Fund (Trimark) SF329

(in Canadian \$ thousands)

Fund Manager: Invesco Canada Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	19	—
Due from brokers	—	22
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>6,230</u>	<u>5,051</u>
Total investments	<u>6,230</u>	<u>5,051</u>
Total assets	<u>\$ 6,249</u>	<u>\$ 5,073</u>
Liabilities		
Overdrafts	\$ 24	\$ 22
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>24</u>	<u>22</u>
Net assets attributable to contractholders	<u>\$ 6,225</u>	<u>\$ 5,051</u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,223	\$ (114)
Miscellaneous income (loss)	—	—
Total income	1,223	(114)
Expenses		
Management fees (note 8)	49	62
Other	6	7
Total expenses	55	69
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,168	\$ (183)

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 5,051	\$ 8,949	\$ 8,949
Contractholder deposits	1,413	310
Contractholder withdrawals	(1,407)	(4,025)
Increase (decrease) in net assets from operations attributable to contractholders	1,168	(183)
Change in net assets attributable to contractholders	1,174	(3,898)
Net assets attributable to contractholders - end of year	\$ 6,225	\$ 5,051

U.S. Companies Fund (Trimark) SF329

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,168	\$ (183)
Adjustments		
Realized (gains) losses	(408)	(469)
Unrealized (gains) losses	(815)	582
Gross proceeds of disposition of investments	2,009	4,336
Gross payments for the purchase of investments	(1,965)	(539)
Change in due from/to The Canada Life Assurance Company	(19)	4
Change in due from/to brokers	22	(17)
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	(8)	3,714
Financing Activities		
Contractholder deposits	1,413	310
Contractholder withdrawals	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>
	(1,407)	(4,025)
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	6	(3,715)
Net increase (decrease) in cash, short-term deposits and overdrafts	(2)	(1)
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none; margin-bottom: 0; margin-top: 0;"/>
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U.S. Companies Fund (Trimark) SF329

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Trimark U.S. Companies Fund Series I	280,000	4,682	6,230
Total Investments		4,682	6,230

U.S. Companies Fund (Trimark) SF329

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	130,352	104,141	262,942	239,331	113,421	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The U.S. Companies Fund (Trimark) SF329 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

U.S. Companies Fund (Trimark) SF329

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (JARISLOWSKY FRASER) SF232

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Jarislowsky Fraser) SF232

We have audited the accompanying financial statements of Canadian Equity Fund (Jarislowsky Fraser) SF232, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Jarislowsky Fraser) SF232 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Jarislowsky Fraser) SF232

(in Canadian \$ thousands)

Fund Manager: Jarislowsky Fraser Global Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	17	—
Due from brokers	6	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	21,331	60,406
Total investments	21,331	60,406
Total assets	\$ 21,354	\$ 60,406
Liabilities		
Overdrafts	\$ 90	\$ 12
Due to The Canada Life Assurance Company (note 8)	—	1,640
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	90	1,652
Net assets attributable to contractholders	\$ 21,264	\$ 58,754

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 3,410	\$ 9,868	—
Miscellaneous income (loss)	—	—	—
Total income	3,410	9,868	—
Expenses			
Management fees (note 8)	267	283	—
Other	30	32	—
Total expenses	297	315	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 3,113	\$ 9,553	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 58,754	\$ 55,224	—
Contractholder deposits	3,239	1,666	—
Contractholder withdrawals	(43,842)	(7,689)	—
Increase (decrease) in net assets from operations attributable to contractholders	3,113	9,553	—
Change in net assets attributable to contractholders	(37,490)	3,530	—
Net assets attributable to contractholders - end of year	\$ 21,264	\$ 58,754	—

Canadian Equity Fund (Jarislowsky Fraser) SF232

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 3,113	\$ 9,553
Adjustments		
Realized (gains) losses	(3,167)	30
Unrealized (gains) losses	967	(5,955)
Gross proceeds of disposition of investments	45,752	7,219
Gross payments for the purchase of investments	(3,267)	(2,633)
Change in distribution income of underlying mutual fund	(1,210)	(3,943)
Change in due from/to The Canada Life Assurance Company	(1,657)	1,740
Change in due from/to brokers	(6)	—
	40,525	6,011
Financing Activities		
Contractholder deposits	3,239	1,666
Contractholder withdrawals	(43,842)	(7,689)
	(40,603)	(6,023)
Net increase (decrease) in cash, short-term deposits and overdrafts	(78)	(12)
Cash, short-term deposits and overdrafts, beginning of year	(12)	—
Cash, short-term deposits and overdrafts, end of year	\$ (90)	\$ (12)

Canadian Equity Fund (Jarislowsky Fraser) SF232

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Jarislowsky Fraser Canadian Equity Fund Pooled	631,672	19,768	21,331
Total Investments		19,768	21,331

Canadian Equity Fund (Jarislowsky Fraser) SF232

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	413,894	1,042,789	1,154,164	1,211,102	1,298,303	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (Jarislowsky Fraser) SF232 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Canadian Equity Fund (Jarislowsky Fraser) SF232

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (JARISLOWSKY FRASER) SF233

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Jarislowsky Fraser) SF233

We have audited the accompanying financial statements of Balanced Fund (Jarislowsky Fraser) SF233, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Jarislowsky Fraser) SF233 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Jarislowsky Fraser) SF233

(in Canadian \$ thousands)

Fund Manager: Jarislowsky Fraser Global Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	1	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	18,714	30,989
Total investments	18,714	30,989
Total assets	\$ 18,715	\$ 30,989
Liabilities		
Overdrafts	\$ 17	\$ 2
Due to The Canada Life Assurance Company (note 8)	262	3
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	279	5
Net assets attributable to contractholders	\$ 18,436	\$ 30,984

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,790	\$ 2,018	—
Miscellaneous income (loss)	—	—	—
Total income	1,790	2,018	—
Expenses			
Management fees (note 8)	220	242	—
Other	19	24	—
Total expenses	239	266	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,551	\$ 1,752	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 30,984	\$ 32,656	—
Contractholder deposits	701	1,058	—
Contractholder withdrawals	(14,800)	(4,482)	—
Increase (decrease) in net assets from operations attributable to contractholders	1,551	1,752	—
Change in net assets attributable to contractholders	(12,548)	(1,672)	—
Net assets attributable to contractholders - end of year	\$ 18,436	\$ 30,984	—

Balanced Fund (Jarislowsky Fraser) SF233

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,551	\$ 1,752
Adjustments		
Realized (gains) losses	(432)	(106)
Unrealized (gains) losses	(214)	438
Gross proceeds of disposition of investments	15,062	6,179
Gross payments for the purchase of investments	(997)	(2,549)
Change in distribution income of underlying mutual fund	(1,144)	(2,350)
Change in due from/to The Canada Life Assurance Company	259	57
Change in due from/to brokers	(1)	—
	14,084	3,421
Financing Activities		
Contractholder deposits	701	1,058
Contractholder withdrawals	(14,800)	(4,482)
	(14,099)	(3,424)
Net increase (decrease) in cash, short-term deposits and overdrafts	(15)	(3)
Cash, short-term deposits and overdrafts, beginning of year	(2)	1
Cash, short-term deposits and overdrafts, end of year	\$ (17)	\$ (2)

Balanced Fund (Jarislowsky Fraser) SF233

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Jarislowsky Fraser Balanced Fund Pooled	1,243,374	18,466	18,714
Total Investments		18,466	18,714

Balanced Fund (Jarislowsky Fraser) SF233

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	635,274	1,039,868	1,174,881	1,035,985	1,126,570	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Jarislowsky Fraser) SF233 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Jarislowsky Fraser) SF233
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Jarislowsky Fraser) SF233
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Jarislowsky Fraser) SF233
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Balanced Fund (Jarislowsky Fraser) SF233

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BOND FUND (JARISLOWSKY FRASER) SF251

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Bond Fund (Jarislowsky Fraser) SF251

We have audited the accompanying financial statements of Bond Fund (Jarislowsky Fraser) SF251, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bond Fund (Jarislowsky Fraser) SF251 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Bond Fund (Jarislowsky Fraser) SF251

(in Canadian \$ thousands)

Fund Manager: Jarislowsky Fraser Global Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	26	3
Due from brokers	3	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>7,208</u>	<u>9,677</u>
Total investments	<u>7,208</u>	<u>9,677</u>
Total assets	<u>\$ 7,237</u>	<u>\$ 9,680</u>
Liabilities		
Overdrafts	\$ 19	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	19	—
Net assets attributable to contractholders	<u>\$ 7,218</u>	<u>\$ 9,680</u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 217	\$ 303	—
Miscellaneous income (loss)	—	—	—
Total income			
	217	303	—
Expenses			
Management fees (note 8)	36	46	—
Other	4	5	—
Total expenses			
	40	51	—
Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 177	\$ 252	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 9,680	\$ 10,182	—
Contractholder deposits	253	1,086	—
Contractholder withdrawals	(2,892)	(1,840)	—
Increase (decrease) in net assets from operations attributable to contractholders	177	252	—
Change in net assets attributable to contractholders	(2,462)	(502)	—
Net assets attributable to contractholders - end of year			
	\$ 7,218	\$ 9,680	—

Bond Fund (Jarislowsky Fraser) SF251

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 177	\$ 252
Adjustments		
Realized (gains) losses	116	28
Unrealized (gains) losses	(95)	118
Gross proceeds of disposition of investments	2,986	1,890
Gross payments for the purchase of investments	(300)	(1,189)
Change in distribution income of underlying mutual fund	(238)	(449)
Change in due from/to The Canada Life Assurance Company	(23)	(4)
Change in due from/to brokers	(3)	—
	2,620	646
Financing Activities		
Contractholder deposits	253	1,086
Contractholder withdrawals	(2,892)	(1,840)
	(2,639)	(754)
Net increase (decrease) in cash, short-term deposits and overdrafts	(19)	(108)
Cash, short-term deposits and overdrafts, beginning of year	—	108
Cash, short-term deposits and overdrafts, end of year	\$ (19)	—

Bond Fund (Jarislowsky Fraser) SF251

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Jarislowsky Fraser Bond Fund Pooled	696,736	7,534	7,208
Total Investments		7,534	7,208

Bond Fund (Jarislowsky Fraser) SF251

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	136,797	227,646	234,806	276,560	273,745	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Bond Fund (Jarislowsky Fraser) SF251 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Bond Fund (Jarislowsky Fraser) SF251

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
GLOBAL BALANCED FUND (JARISLOWSKY FRASER) SF311

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Global Balanced Fund (Jarislowsky Fraser) SF311

We have audited the accompanying financial statements of Global Balanced Fund (Jarislowsky Fraser) SF311, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Balanced Fund (Jarislowsky Fraser) SF311 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Global Balanced Fund (Jarislowsky Fraser) SF311

(in Canadian \$ thousands)

Fund Manager: Jarislowsky Fraser Global Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	6,211	6,529
Total investments	6,211	6,529
Total assets	\$ 6,211	\$ 6,529
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	4	4
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	4	4
Net assets attributable to contractholders	\$ 6,207	\$ 6,525

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 448	\$ 372	372
Miscellaneous income (loss)	—	—	—
Total income	448	372	372
Expenses			
Management fees (note 8)	3	13	13
Other	—	1	1
Total expenses	3	14	14
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 445	\$ 358	358

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 6,525	\$ 6,084	6,084
Contractholder deposits	—	631	631
Contractholder withdrawals	(763)	(548)	(548)
Increase (decrease) in net assets from operations attributable to contractholders	445	358	358
Change in net assets attributable to contractholders	(318)	441	441
Net assets attributable to contractholders - end of year	\$ 6,207	\$ 6,525	6,525

Global Balanced Fund (Jarislowsky Fraser) SF311

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 445	\$ 358
Adjustments		
Realized (gains) losses	(18)	(14)
Unrealized (gains) losses	(157)	(56)
Gross proceeds of disposition of investments	767	562
Gross payments for the purchase of investments	—	(632)
Change in distribution income of underlying mutual fund	(274)	(302)
Change in due from/to The Canada Life Assurance Company	—	1
	763	(83)
Financing Activities		
Contractholder deposits	—	631
Contractholder withdrawals	(763)	(548)
	(763)	83
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	—	—
Cash, short-term deposits and overdrafts, end of year	\$ —	\$ —

Global Balanced Fund (Jarislowsky Fraser) SF311

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Jarislowsky Fraser Global Balanced Fund Pooled	458,389	5,974	6,211
Total Investments		5,974	6,211

Global Balanced Fund (Jarislowsky Fraser) SF311

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	222,844	256,621	255,201	56,203	60,744	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Global Balanced Fund (Jarislowsky Fraser) SF311 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Global Balanced Fund (Jarislowsky Fraser) SF311
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Global Balanced Fund (Jarislowsky Fraser) SF311
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Global Balanced Fund (Jarislowsky Fraser) SF311
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Global Balanced Fund (Jarislowsky Fraser) SF311
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Global Balanced Fund (Jarislowsky Fraser) SF311

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (LAKETON) SF002

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Laketon) SF002

We have audited the accompanying financial statements of Canadian Equity Fund (Laketon) SF002, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Laketon) SF002 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Laketon) SF002

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 75	\$ 398
Investment income due and accrued	8	39
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	75
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	4,524	20,760
Investment fund units	—	—
Total investments	4,524	20,760
Total assets	\$ 4,607	\$ 21,272
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	416
Due to brokers	—	77
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	493
Net assets attributable to contractholders	\$ 4,607	\$ 20,779

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,080	\$ 2,465	2,465
Miscellaneous income (loss)	2	(90)	(90)
Total income	1,082	2,375	2,375
Expenses			
Management fees (note 7)	76	102	102
Transaction costs	10	54	54
Withholding taxes	1	2	2
Other	10	12	12
Total expenses	97	170	170
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 985	\$ 2,205	2,205

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 20,779	\$ 25,780	25,780
Contractholder withdrawals	326	190	190
Increase (decrease) in net assets from operations attributable to contractholders	(17,483)	(7,396)	(7,396)
Change in net assets attributable to contractholders	985	2,205	2,205
Net assets attributable to contractholders - end of year	(16,172)	(5,001)	(5,001)
Net assets attributable to contractholders - end of year	\$ 4,607	\$ 20,779	20,779

Canadian Equity Fund (Laketon) SF002

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 985	\$ 2,205
Adjustments		
Realized (gains) losses	(3,716)	(705)
Unrealized (gains) losses	2,952	(1,257)
Gross proceeds of disposition of investments	21,316	22,672
Gross payments for the purchase of investments	(4,316)	(16,240)
Change in investment income due and accrued	31	(6)
Change in due from/to The Canada Life Assurance Company	(416)	740
Change in due from/to brokers	(2)	2
	<hr/> 16,834	<hr/> 7,411
Financing Activities		
Contractholder deposits	326	190
Contractholder withdrawals	(17,483)	(7,396)
	<hr/> (17,157)	<hr/> (7,206)
Net increase (decrease) in cash, short-term deposits and overdrafts	(323)	205
Cash, short-term deposits and overdrafts, beginning of year	398	193
Cash, short-term deposits and overdrafts, end of year	\$ 75	\$ 398
Supplementary cash flow information		
Dividends received	\$ 346	\$ 519

Canadian Equity Fund (Laketon) SF002

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Common Stock			
Consumer Discretionary			
Dollarama Inc.	842	56	132
Restaurant Brands International Inc.	1,811	90	140
Consumer Staples			
Alimentation Couche-Tard Inc. Class B Sub. voting	2,043	78	134
Saputo Inc.	2,920	127	132
Energy			
ARC Resources Ltd.	1,062	23	16
Canadian Natural Resources Ltd.	3,341	145	150
Enbridge Inc.	2,125	119	104
EnCana Corp.	2,130	35	36
Keyera Corp.	1,764	76	62
Seven Generations Energy Ltd.	1,098	34	20
Suncor Energy Inc.	2,750	109	127
Tourmaline Oil Corp.	1,269	43	29
Vermilion Energy Inc.	674	33	31
Financials			
Brookfield Asset Management Inc.	3,564	143	195
Manulife Financial Corp.	6,057	113	159
Onex Corp. Sub. voting	1,259	57	116
Royal Bank of Canada	3,991	263	410
Sun Life Financial Inc.	2,391	102	124
The Bank of Nova Scotia	4,214	262	342
The Toronto-Dominion Bank	5,558	242	409
Industrials			
Air Canada Variable Voting	3,341	29	86
Canadian National Railway Co.	1,023	77	106
Canadian Pacific Railway Ltd.	684	136	158
Ritchie Bros. Auctioneers Inc.	1,365	62	51
Waste Connections Inc.	925	58	82
Information Technology			
CGI Group Inc. Class A Sub. voting	1,884	79	129
Constellation Software Inc.	50	38	38

Canadian Equity Fund (Laketon) SF002

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Common Stock (continued)			
Information Technology (continued)			
Open Text Corp.	1,712	75	77
Materials			
Agnico-Eagle Mines Ltd.	818	50	47
Agrium Inc.	250	32	36
Barrick Gold Corp.	1,685	41	31
First Quantum Minerals Ltd.	2,630	43	46
Goldcorp Inc.	1,513	32	24
Kinross Gold Corp.	2,970	16	16
Teck Resources Ltd. Class B	2,661	54	87
Wheaton Precious Metals Corp.	981	29	27
Real Estate Investment Trust			
Allied Properties REIT	1,628	63	69
Telecommunication Services			
Rogers Communications Inc. Class B non-voting	2,300	120	148
Total Canadian Common Stock	3,184		4,126
United States Common Stock			
Consumer Discretionary			
Amazon.com Inc.	60	70	88
Hilton Worldwide Holdings Inc.	690	62	69
The Home Depot Inc.	430	73	103
Financials			
American Express Co.	260	26	32
Information Technology			
Alphabet Inc. Class A	80	85	106
Total United States Common Stock	316		398
Total Stocks	3,500		4,524
Transaction Costs (see notes to financial statements)			(4)
Total Investments	3,496		4,524

Canadian Equity Fund (Laketon) SF002

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Canadian Equity Fund (Laketon) SF002 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017								
Currency	Investments	Cash, Short-term Deposits and Overdrafts			Total*	Impact on Net Assets Attributable to Contractholders		
		\$	398	\$	1	\$	399	\$
United States Dollar	\$ 398			\$ 1	\$ 399	\$ 4		
Total	\$ 398			\$ 1	\$ 399	\$ 4		
As Percent of Net Assets Attributable to Contractholders						8.7%	0.1%	

*Includes both monetary and non-monetary instruments

Canadian Equity Fund (Laketon) SF002
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts		Total*	Impact on Net Assets Attributable to Contractholders
		2	\$		
United States Dollar	\$ 1,244	2	\$	1,246	\$ 12
Total	\$ 1,244	2	\$	1,246	\$ 12
As Percent of Net Assets Attributable to Contractholders					6.0% 0.1%

*Includes both monetary and non-monetary instruments

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$45 (\$208 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 4,524	\$ —	\$ —	\$ 4,524
Total assets measured at fair value	\$ 4,524	\$ —	\$ —	\$ 4,524

	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 20,760	\$ —	\$ —	\$ 20,760
Total assets measured at fair value	\$ 20,760	\$ —	\$ —	\$ 20,760

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Canadian Equity Fund (Laketon) SF002

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

Group	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	315,588	644,645	718,640	664,291	756,911	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

Group	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Canadian Equity Fund (Laketon) SF002

Notes to the Financial Statements

(in Canadian \$ thousands)

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Canadian Equity Fund (Laketon) SF002
Notes to the Financial Statements

(in Canadian \$ thousands)

7. RELATED PARTY TRANSACTIONS (continued)

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (LAKETON) SF009

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Laketon) SF009

We have audited the accompanying financial statements of Canadian Equity Fund (Laketon) SF009, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Laketon) SF009 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Laketon) SF009

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 2,193	\$ 1,641
Investment income due and accrued	242	283
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	1,576
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	152,404	151,321
Investment fund units	—	—
Total investments	152,404	151,321
Total assets	\$ 154,839	\$ 154,821
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	115	19
Due to brokers	—	551
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	115	570
Net assets attributable to contractholders	\$ 154,724	\$ 154,251

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 16,688	\$ 15,966	
Miscellaneous income (loss)	9	(458)	
Total income		16,697	15,508
Expenses			
Management fees (note 7)	2,949	3,059	
Transaction costs	78	321	
Withholding taxes	17	10	
Other	271	281	
Total expenses		3,315	3,671
Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 13,382	\$ 11,837	

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 154,251	\$ 159,006	
Contractholder deposits	5,564	4,034	
Contractholder withdrawals	(18,473)	(20,626)	
Increase (decrease) in net assets from operations attributable to contractholders	13,382	11,837	
Change in net assets attributable to contractholders	473	(4,755)	
Net assets attributable to contractholders - end of year	\$ 154,724	\$ 154,251	

Canadian Equity Fund (Laketon) SF009

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 13,382	\$ 11,837
Adjustments		
Realized (gains) losses	(6,704)	(1,083)
Unrealized (gains) losses	(6,560)	(11,558)
Gross proceeds of disposition of investments	50,985	116,609
Gross payments for the purchase of investments	(38,804)	(97,809)
Change in investment income due and accrued	41	(79)
Change in due from/to The Canada Life Assurance Company	96	(5)
Change in due from/to brokers	1,025	(1,025)
	<hr/>	<hr/>
	13,461	16,887
Financing Activities		
Contractholder deposits	5,564	4,034
Contractholder withdrawals	(18,473)	(20,626)
	<hr/>	<hr/>
	(12,909)	(16,592)
Net increase (decrease) in cash, short-term deposits and overdrafts	552	295
Cash, short-term deposits and overdrafts, beginning of year	<hr/>	<hr/>
Cash, short-term deposits and overdrafts, end of year	<hr/>	<hr/>
	\$ 2,193	\$ 1,641
Supplementary cash flow information		
Dividends received	\$ 3,451	\$ 3,231

Canadian Equity Fund (Laketon) SF009

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u>	<u>Shares or</u>	<u>Average</u>	<u>Fair</u>
	<u>Par Value</u>	<u>Cost</u>	<u>Value</u>	
Canadian Common Stock				
Consumer Discretionary				
Dollarama Inc.	28,225	1,806	4,433	
Restaurant Brands International Inc.	60,948	2,962	4,709	
Consumer Staples				
Alimentation Couche-Tard Inc. Class B Sub. voting	68,515	2,581	4,494	
Saputo Inc.	98,000	4,263	4,428	
Energy				
ARC Resources Ltd.	35,725	782	527	
Canadian Natural Resources Ltd.	112,673	4,891	5,061	
Enbridge Inc.	71,529	4,014	3,516	
EnCana Corp.	71,800	1,206	1,204	
Keyera Corp.	59,565	2,568	2,110	
Seven Generations Energy Ltd.	37,025	1,158	658	
Suncor Energy Inc.	92,600	3,670	4,273	
Tourmaline Oil Corp.	42,625	1,440	971	
Vermilion Energy Inc.	22,708	1,091	1,037	
Financials				
Brookfield Asset Management Inc.	119,899	4,765	6,561	
Manulife Financial Corp.	204,117	3,705	5,352	
Onex Corp. Sub. voting	42,457	1,729	3,914	
Royal Bank of Canada	134,479	8,302	13,804	
Sun Life Financial Inc.	80,525	3,380	4,178	
The Bank of Nova Scotia	141,911	8,587	11,512	
The Toronto-Dominion Bank	187,100	7,517	13,780	
Industrials				
Air Canada Variable Voting	112,352	937	2,908	
Canadian National Railway Co.	34,408	2,487	3,566	
Canadian Pacific Railway Ltd.	23,152	4,554	5,317	
Ritchie Bros. Auctioneers Inc.	45,995	2,100	1,731	
Waste Connections Inc.	31,317	1,913	2,792	
Information Technology				
CGI Group Inc. Class A Sub. voting	63,511	2,559	4,338	
Constellation Software Inc.	1,700	1,306	1,295	

Canadian Equity Fund (Laketon) SF009

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Common Stock (continued)			
Information Technology (continued)			
Open Text Corp.	57,742	2,536	2,582
Materials			
Agnico-Eagle Mines Ltd.	27,608	1,683	1,602
Agrium Inc.	8,600	1,082	1,243
Barrick Gold Corp.	56,637	1,390	1,030
First Quantum Minerals Ltd.	88,800	1,468	1,564
Goldcorp Inc.	51,099	1,097	819
Kinross Gold Corp.	99,900	549	541
Teck Resources Ltd. Class B	89,712	1,783	2,949
Wheaton Precious Metals Corp.	33,249	978	924
Real Estate Investment Trust			
Allied Properties REIT	54,901	2,125	2,310
Telecommunication Services			
Rogers Communications Inc. Class B non-voting	77,500	4,102	4,964
Total Canadian Common Stock	105,066		138,997
United States Common Stock			
Consumer Discretionary			
Amazon.com Inc.	2,200	2,560	3,238
Hilton Worldwide Holdings Inc.	23,300	2,091	2,342
The Home Depot Inc.	14,300	2,393	3,412
Financials			
American Express Co.	8,800	871	1,100
Information Technology			
Alphabet Inc. Class A	2,500	2,570	3,315
Total United States Common Stock	10,485		13,407
Total Stocks	115,551		152,404
Transaction Costs (see notes to financial statements)	(124)		
Total Investments	115,427		152,404

Canadian Equity Fund (Laketon) SF009
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

Introduction

The objective of the Canadian Equity Fund (Laketon) SF009 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 13,407	\$ 25	\$ 13,432	\$ 134
Total	\$ 13,407	\$ 25	\$ 13,432	\$ 134
As Percent of Net Assets Attributable to Contractholders			8.7%	0.1%

*Includes both monetary and non-monetary instruments

Canadian Equity Fund (Laketon) SF009
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

2016						
Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders		
United States Dollar	\$ 9,296	\$ 98	\$ 9,394	\$ 94		
Total	\$ 9,296	\$ 98	\$ 9,394	\$ 94		
As Percent of Net Assets Attributable to Contractholders				6.1%	0.1%	

*Includes both monetary and non-monetary instruments

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$1,524 (\$1,513 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 152,404	\$ —	\$ —	\$ 152,404
Total assets measured at fair value	\$ 152,404	\$ —	\$ —	\$ 152,404

	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 151,321	\$ —	\$ —	\$ 151,321
Total assets measured at fair value	\$ 151,321	\$ —	\$ —	\$ 151,321

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Canadian Equity Fund (Laketon) SF009

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	167,570	188,795	210,568	239,006	267,386	63,223	65,795	68,361	81,707	83,667
Generations/Mosaic	1,275,211	1,486,918	1,764,688	1,947,195	2,289,285	28,597	30,799	34,051	39,565	42,576
Generations I	201,659	254,007	404,701	425,872	497,228	3,139	3,653	5,421	6,007	6,420
Generations II	169,565	170,519	191,058	175,850	179,566	2,059	1,919	2,009	1,954	1,832
Generations Core	122,546	132,472	151,457	152,761	153,092	1,558	1,554	1,653	1,754	1,607
Group	17,224	19,868	23,347	26,513	31,046	6,351	6,791	7,461	—	—
75/75 guarantee policy	31,868	15,667	84,998	82,549	32,687	477	216	1,092	1,116	404
75/100 guarantee policy	195,721	193,209	258,598	202,174	176,446	2,894	2,639	3,290	2,709	2,164
100/100 guarantee policy	52,625	33,459	44,688	44,555	35,318	758	447	558	587	428
PS1 75/75 guarantee policy	82,913	82,437	—	—	—	1,289	1,176	—	—	—
PS1 75/100 guarantee policy	49,765	84,161	12,194	2,593	6,004	765	1,190	160	36	75
PS1 100/100 guarantee policy	4,495	4,495	—	—	—	68	63	—	—	—
PS2 75/75 guarantee policy	45,359	99,516	85,701	80,768	72,086	799	1,574	1,227	1,184	940
PS2 75/100 guarantee policy	19,906	30,119	27,406	22,710	23,155	350	476	392	332	301
PS2 100/100 guarantee policy	511	—	—	—	—	9	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	377.99	349.14	325.24	343.14	314.08	28.85	23.90
Generations/Mosaic	22.43	20.71	19.30	20.32	18.60	1.72	1.41
Generations I	15.57	14.38	13.40	14.11	12.91	1.19	0.98
Generations II	12.14	11.25	10.52	11.11	10.20	0.89	0.73
Generations Core	12.71	11.73	10.91	11.48	10.50	0.98	0.82
75/75 guarantee policy	14.97	13.81	12.85	13.52	12.36	1.16	0.96
75/100 guarantee policy	14.79	13.66	12.72	13.40	12.26	1.13	0.94
100/100 guarantee policy	14.41	13.35	12.48	13.18	12.11	1.06	0.87
PS1 75/75 guarantee policy	15.54	14.26	—	—	—	1.28	1.14
PS1 75/100 guarantee policy	15.38	14.14	13.12	13.75	12.53	1.24	1.02
PS1 100/100 guarantee policy	15.07	13.91	—	—	—	1.16	1.07
PS2 75/75 guarantee policy	17.62	15.82	14.32	14.66	13.04	1.80	1.50
PS2 75/100 guarantee policy	17.60	15.80	14.30	14.64	13.02	1.80	1.50
PS2 100/100 guarantee policy	17.58	—	—	—	—	1.18	—

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (Laketon) SF009

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Canadian Equity Fund (Laketon) SF009

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.87	2.86	2.86	2.87	2.88
Generations/Mosaic	2.87	2.86	2.86	2.87	2.88
Generations I	2.87	2.87	2.86	2.87	2.88
Generations II	3.20	3.19	3.19	3.20	3.21
Generations Core	2.76	2.75	2.75	2.76	2.76
75/75 guarantee policy	2.74	2.80	2.75	2.76	2.77
75/100 guarantee policy	2.87	2.86	2.86	2.87	2.88
100/100 guarantee policy	3.19	3.19	3.19	3.20	3.21
PS1 75/75 guarantee policy	2.19	2.19	—	—	—
PS1 75/100 guarantee policy	2.42	2.41	2.41	2.42	2.43
PS1 100/100 guarantee policy	2.74	2.73	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	25.78	65.08	55.08	44.06	68.24

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (LAKETON) SF014

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Laketon) SF014

We have audited the accompanying financial statements of Balanced Fund (Laketon) SF014, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Laketon) SF014 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Laketon) SF014

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 83	\$ 104
Investment income due and accrued	15	17
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	57
Due from outside parties	—	—
Investments		
Bonds	1,699	2,038
Stocks	2,821	3,321
Investment fund units	—	—
Total investments	4,520	5,359
Total assets	\$ 4,618	\$ 5,537
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	—
Due to brokers	—	7
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	7
Net assets attributable to contractholders	\$ 4,618	\$ 5,530

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 408	\$ 324	—
Miscellaneous income (loss)	3	—	—
Total income	411	324	—
Expenses			
Management fees (note 7)	56	64	—
Transaction costs	3	4	—
Withholding taxes	4	6	—
Other	7	7	—
Total expenses	70	81	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 341	\$ 243	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 5,530	\$ 6,343	—
Contractholder deposits	—	147	—
Contractholder withdrawals	(1,253)	(1,203)	—
Increase (decrease) in net assets from operations attributable to contractholders	341	243	—
Change in net assets attributable to contractholders	(912)	(813)	—
Net assets attributable to contractholders - end of year	\$ 4,618	\$ 5,530	—

Balanced Fund (Laketon) SF014

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 341	\$ 243
Adjustments		
Realized (gains) losses	(351)	(62)
Unrealized (gains) losses	74	(114)
Gross proceeds of disposition of investments	3,319	3,066
Gross payments for the purchase of investments	(2,203)	(2,164)
Change in investment income due and accrued	2	2
Change in due from/to brokers	50	(50)
	<hr/> 1,232	<hr/> 921
Financing Activities		
Contractholder deposits	—	147
Contractholder withdrawals	<hr/> (1,253)	<hr/> (1,203)
	<hr/> (1,253)	<hr/> (1,056)
Net increase (decrease) in cash, short-term deposits and overdrafts	(21)	(135)
Cash, short-term deposits and overdrafts, beginning of year	<hr/> 104	<hr/> 239
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ 83	<hr/> <hr/> \$ 104
Supplementary cash flow information		
Interest received	\$ 58	\$ 67
Dividends received	75	82

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds			
Federal Government			
Canada Housing Trust 1.75% 06-15-2022	10,000	10	10
Canada Housing Trust 2.35% 06-15-2027	18,000	19	18
Canada Housing Trust 2.40% 12-15-2022	39,000	40	39
Canada Housing Trust No. 1 1.25% 12-15-2020	66,000	66	65
Canada Housing Trust No. 1 1.75% 06-15-2018	38,000	39	38
Canada Housing Trust No. 1 1.95% 06-15-2019	22,000	22	22
Canada Housing Trust No. 1 2.55% 03-15-2025	8,000	8	8
Canada Housing Trust No. 1 2.65% 03-15-2022	61,000	64	62
Canada Housing Trust No. 1 2.90% 06-15-2024	23,000	25	24
Government of Canada 1.50% 06-01-2026	45,000	45	43
Government of Canada 2.75% 12-01-2048	17,000	19	19
Government of Canada 4.00% 06-01-2041	18,000	23	24
Muskrat Falls 3.86% 12-01-2048	20,000	21	24
Muskrat Falls/Labrador Transmissions Assets Funding 3.83% 06-01-2037	15,000	16	17
 Total Federal Government		417	413
 Provincial Governments			
Province of Alberta 3.30% 12-01-2046	12,000	12	13
Province of Alberta 3.40% 12-01-2023	15,000	16	16
Province of British Columbia 2.85% 06-18-2025	27,000	28	28
Province of British Columbia 3.20% 06-18-2044	31,000	30	33
Province of British Columbia 3.30% 12-18-2023	12,000	13	13
Province of British Columbia 4.95% 06-18-2040	8,000	11	11
Province of Ontario 1.35% 03-08-2022	19,000	18	18
Province of Ontario 2.40% 06-02-2026	25,000	26	25
Province of Ontario 2.60% 06-02-2025	31,000	32	31
Province of Ontario 2.80% 06-02-2048	24,000	23	23
Province of Ontario 4.65% 06-02-2041	26,000	32	34
Province of Ontario 4.70% 06-02-2037	37,000	43	47
Province of Quebec 2.75% 09-01-2025	29,000	30	30
Province of Quebec 3.50% 12-01-2048	17,000	18	19
Province of Quebec 4.25% 12-01-2043	52,000	56	64
 Total Provincial Governments		388	405

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Municipal Governments			
City of Montreal 3.50% 09-01-2023	20,000	20	21
City of Toronto 2.40% 06-07-2027	10,000	10	10
City of Toronto 3.40% 05-21-2024	8,000	9	8
City of Toronto 5.20% 06-01-2040	21,000	25	28
 Total Municipal Governments		64	67
Corporate - Non Convertible			
407 International Inc. 2.47% 09-08-2022	3,000	3	3
407 International Inc. 4.30% 05-26-2021 Callable	14,000	15	15
Altalink LP 3.668% 11-06-2023	8,000	9	8
Bank of Montreal 2.70% 12-09-2026	4,000	4	4
Bank of Montreal 3.32% 06-01-2026	8,000	8	8
Bank of Montreal 4.61% 09-10-2025 Callable	6,000	7	7
Bell Canada 3.35% 03-22-2023	27,000	27	28
Bell Canada 3.60% 09-29-2027	7,000	7	7
Brookfield Infrastructure Partners 3.315% 02-22-2024	2,000	2	2
Bruce Power LP 3.969% 06-23-2026	5,000	5	5
Canadian Imperial Bank of Commerce 2.30% 07-11-2022	8,000	8	8
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable	12,000	12	12
Canadian Natural Resources Ltd. 3.42% 12-01-2026	6,000	6	6
CU Inc. 3.805% 09-10-2042	16,000	15	17
CU Inc. 4.085% 09-02-2044	3,000	3	3
Dollarama Inc. 2.203% 11-10-2022	1,000	1	1
Dollarama Inc. 2.337% 07-22-2021	9,000	9	9
Eagle Credit Card Trust 2.849% 10-17-2018	8,000	8	8
Enbridge Gas Distribution 3.51% 11-29-2047	7,000	7	7
Enbridge Inc. 4.24% 08-27-2042	16,000	16	15
Enbridge Inc. 4.77% 09-02-2019 Callable	15,000	17	16
Enbridge Inc. 5.375% 09-27-2077	8,000	8	8
First Cap Realty Inc. 3.753% 07-12-2027	3,000	3	3
Ford Credit Canada Ltd. 2.58% 05-10-2021	6,000	6	6
FortisAlberta Inc. 3.672% 09-09-2047	3,000	3	3
Gibson Energy Inc. 5.25% 07-15-2024 Series REGS	4,000	4	4
Gibson Energy Inc. 5.25% 07-15-2024 Series OCT	2,000	2	2
Glacier Credit Canada Trust 2.568% 09-20-2019	15,000	15	15
Greater Toronto Airports Authority 1.51% 02-16-2021	7,000	7	7

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Greater Toronto Airports Authority 5.96% 11-20-2019 Callable	38,000	46	41
HSBC Bank Canada 2.17% 06-29-2022	6,000	6	6
Husky Energy Inc. 3.60% 03-10-2027	4,000	4	4
Hydro One Inc. 3.20% 01-13-2022	18,000	18	19
Hydro One Inc. 3.72% 11-18-2047	5,000	5	5
Hydro One Inc. 5.36% 05-20-2036	23,000	28	29
Inter Pipeline Ltd. 3.448% 07-20-2020	15,000	15	15
Inter Pipeline Ltd. 3.484% 12-16-2026	6,000	6	6
Laurentian Bank of Canada 3.278% 10-15-2018	4,000	4	4
Laurentian Bank of Canada 4.25% 06-22-2027	8,000	8	8
Loblaw Companies Ltd. 3.748% 03-12-2019	16,000	17	16
Loblaw Companies Ltd. 4.86% 03-12-2023 Callable	8,000	8	9
Manufacturers Life Insurance Co. 2.64% 01-15-2025	11,000	11	11
Manufacturers Life Insurance Co. 2.93% 11-29-2023 Callable	14,000	14	14
Manulife Finance (Delaware) LP 5.059% 12-15-2041	7,000	7	8
Manulife Financial Corp. 3.049% 08-20-2029	3,000	3	3
National Bank of Canada 1.957% 06-30-2022	6,000	6	6
North West Redwater Partnership 2.80% 06-01-2027	3,000	3	3
North West Redwater Partnership 3.20% 04-24-2026	4,000	4	4
Ontario Power Generation 3.315% 10-04-2027	4,000	4	4
Parkland Fuel Corp. 5.625% 05-09-2025	5,000	5	5
Parkland Fuel Corp. 5.75% 09-16-2024 Callable	2,000	2	2
Pembina Pipeline Corp. 2.99% 01-22-2024	3,000	3	3
Royal Bank of Canada 1.583% 09-13-2021	9,000	9	9
Royal Bank of Canada 2.00% 03-21-2022	15,000	15	15
Royal Bank of Canada 2.26% 03-12-2018	25,000	25	25
Royal Bank of Canada 2.33% 12-05-2023	14,000	14	14
Royal Bank of Canada 2.99% 12-06-2024	31,000	31	31
Royal Bank of Canada 3.04% 07-17-2024 Callable	13,000	13	13
Royal Bank of Canada 4.93% 07-16-2025	6,000	7	7
Saputo Inc. 1.939% 06-13-2022	9,000	9	9
Saputo Inc. 2.827% 11-21-2023	4,000	4	4
Shaw Communications Inc. 6.75% 11-09-2039	6,000	7	8
Sun Life Financial Inc. 2.75% 11-23-2027	7,000	7	7
Suncor Energy Inc. 3.10% 11-26-2021	17,000	17	17
Superior Plus LP 5.25% 02-27-2024	7,000	7	7
TELUS Corp. 4.85% 04-05-2044	8,000	8	9

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
TELUS Corp. 5.05% 12-04-2019	15,000	17	16
Teranet Holdings LP 4.807% 12-16-2020	4,000	4	4
The Bank of Nova Scotia 2.242% 03-22-2018	11,000	11	11
The Bank of Nova Scotia 2.29% 06-28-2024	3,000	3	3
The Toronto-Dominion Bank 2.045% 03-08-2021	9,000	9	9
The Toronto-Dominion Bank 2.171% 04-02-2018	26,000	26	25
The Toronto-Dominion Bank 2.621% 12-22-2021	17,000	18	16
The Toronto-Dominion Bank 2.692% 06-24-2025	31,000	31	30
The Toronto-Dominion Bank 3.224% 07-25-2029	4,000	4	4
TransCanada PipeLines Ltd. Floating Rate 05-18-2077	6,000	6	6
Union Gas Ltd. 3.59% 11-22-2047	6,000	6	6
 Total Corporate - Non Convertible	 772	 767	
 Total Canadian Bonds	 1,641	 1,652	
United States Bonds			
Corporate - Non Convertible			
Apple Inc. 2.513% 08-19-2024	10,000	10	10
AT&T Inc. 3.825% 11-25-2020	15,000	15	16
Bank of America 3.407% 09-20-2025	4,000	4	4
McDonald's Corp. 3.125% 03-04-2025	6,000	6	6
Molson Coors International LP 2.25% 09-18-2018 Callable	11,000	11	11
 Total Corporate - Non Convertible	 46	 47	
 Total United States Bonds	 46	 47	
 Total Bonds	 1,687	 1,699	
Canadian Common Stock			
Consumer Discretionary			
Cogeco Communications Inc. Sub. voting	210	17	18
Magna International Inc.	770	45	55
Martinrea International Inc.	2,250	24	36

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Common Stock (continued)			
Consumer Staples			
Loblaw Companies Ltd.	650	44	44
Metro Inc.	990	43	40
Energy			
ARC Resources Ltd.	1,796	34	26
Canadian Natural Resources Ltd.	1,508	63	68
Enbridge Income Fund Holdings Inc.	470	15	14
Enerplus Corp.	2,500	26	31
Freehold Royalties Ltd.	2,010	25	28
Inter Pipeline Ltd.	660	16	17
Seven Generations Energy Ltd.	1,573	40	28
Tourmaline Oil Corp.	1,370	40	31
Financials			
Bank of Montreal	860	81	87
Brookfield Asset Management Inc.	998	43	55
Canadian Imperial Bank of Commerce	710	76	87
ECN Capital Corp.	3,070	12	12
Intact Financial Corp.	340	32	36
Manulife Financial Corp.	2,443	51	64
Royal Bank of Canada	1,368	98	140
The Bank of Nova Scotia	1,452	93	118
The Toronto-Dominion Bank	1,660	81	122
Industrials			
Canadian National Railway Co.	681	60	71
SNC-Lavalin Group Inc.	760	41	43
Information Technology			
Celestica Inc.	1,790	26	24
CGI Group Inc. Class A Sub. voting	701	34	48
Open Text Corp.	1,134	49	51
Materials			
Agrium Inc.	250	29	36
Detour Gold Corp.	1,110	17	16
Goldcorp Inc.	871	17	14

Balanced Fund (Laketon) SF014

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Common Stock (continued)			
Real Estate Investment Trust			
H&R REIT	1,410	31	30
RioCan REIT	830	21	20
Telecommunication Services			
BCE Inc.	1,210	72	73
Rogers Communications Inc. Class B non-voting	500	25	32
Total Canadian Common Stock	1,421		1,615
United States Common Stock			
Exchange Traded Funds			
iShares MSCI EAFE Index Fund	6,612	462	585
SPDR S&P 500 ETF TRUST	1,767	307	594
Total United States Common Stock	769		1,179
Global Common Stock			
Netherlands			
AerCap Holdings NV	410	28	27
Total Global Common Stock	28		27
Total Stocks	2,218		2,821
Transaction Costs (see notes to financial statements)		(3)	
Total Investments	3,902		4,520

Balanced Fund (Laketon) SF014

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Balanced Fund (Laketon) SF014 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts			Total*	Impact on Net Assets Attributable to Contractholders		
		\$	1,206	\$		\$	12	
United States Dollar				6	\$	1,212	\$	12
Total				6	\$	1,212	\$	12
As Percent of Net Assets Attributable to Contractholders						26.2%	0.3%	

*Includes both monetary and non-monetary instruments

Balanced Fund (Laketon) SF014
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

2016						
Currency	Investments	Cash, Short-term Deposits and Overdrafts		Total*	Impact on Net Assets Attributable to Contractholders	
United States Dollar	\$ 1,407	\$ 13	\$ 1,420	\$ 14		
Total	\$ 1,407	\$ 13	\$ 1,420	\$ 14		
As Percent of Net Assets Attributable to Contractholders					25.7%	0.3%

*Includes both monetary and non-monetary instruments

D. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	
Bonds	\$ 122	\$ 510	\$ 581	\$ 486	\$ 1,699	

2016						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	
Bonds	\$ 131	\$ 548	\$ 804	\$ 555	\$ 2,038	

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$124 (\$141 at December 31, 2016) or approximately 2.7% (2.5% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

E. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

Balanced Fund (Laketon) SF014
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Credit Risk (continued)

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

Debt securities by credit rating are as follows:

	2017		2016	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AAA	25.8	9.4	29.2	10.8
AA	11.8	4.3	17.4	6.4
A	40.1	14.8	35.7	13.1
BBB	20.2	7.4	17.5	6.4
BB and lower	2.1	0.8	0.2	0.1
Total	100.0	36.7	100.0	36.8

F. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$28 (\$33 at December 31, 2016) or approximately 0.6% (0.6% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

G. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

Assets measured at fair value	Assets Measured at Fair Value				Total
	Level 1	Level 2	Level 3	Total	
Bonds	\$ —	\$ 1,699	\$ —	\$ 1,699	
Stocks	2,821	—	—	2,821	
Total assets measured at fair value	\$ 2,821	\$ 1,699	\$ —	\$ 4,520	

Balanced Fund (Laketon) SF014
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

G. Fair Value Classification (continued)

	2016					Assets Measured at Fair Value
	Level 1	Level 2	Level 3		Total	
<u>Assets measured at fair value</u>						
Bonds	\$ —	\$ 2,038	\$ —		\$ 2,038	
Stocks	3,321	—	—		3,321	
<u>Total assets measured at fair value</u>	<u>\$ 3,321</u>	<u>\$ 2,038</u>	<u>\$ —</u>		<u>\$ 5,359</u>	

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Balanced Fund (Laketon) SF014

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	65,673	83,734	99,957	93,550	65,073	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Laketton) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds and Stocks

Bonds and stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Balanced Fund (Laketton) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (Laketon) SF014

Notes to the Financial Statements

(in Canadian \$ thousands)

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (Laketon) SF014
Notes to the Financial Statements

(in Canadian \$ thousands)

7. RELATED PARTY TRANSACTIONS (continued)

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
MANAGED FUND (LAKETON) SF035

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Managed Fund (Laketon) SF035

We have audited the accompanying financial statements of Managed Fund (Laketon) SF035, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Managed Fund (Laketon) SF035 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Managed Fund (Laketon) SF035

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 7,742	\$ 10,738
Investment income due and accrued	597	507
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	241
Due from outside parties	25	24
Investments		
Bonds	70,536	69,469
Stocks	118,907	113,416
Investment fund units	—	—
Total investments	189,443	182,885
Total assets	\$ 197,807	\$ 194,395
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	174	123
Due to brokers	—	246
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	174	369
Net assets attributable to contractholders	\$ 197,633	\$ 194,026

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 15,239	\$ 12,380	16
Miscellaneous income (loss)	(36)	16	12,396
Total income	15,203	12,396	12,396
Expenses			
Management fees (note 7)	4,826	4,932	172
Transaction costs	155	137	114
Withholding taxes	—	455	469
Total expenses	5,573	5,687	5,687
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 9,630	\$ 6,709	6,709

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 194,026	\$ 195,730	14,851
Contractholder withdrawals	(24,827)	(23,264)	18,804
Increase (decrease) in net assets from operations attributable to contractholders	9,630	6,709	(24,827)
Change in net assets attributable to contractholders	3,607	(1,704)	18,804
Net assets attributable to contractholders - end of year	\$ 197,633	\$ 194,026	9,630

Managed Fund (Laketon) SF035

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 9,630	\$ 6,709
Adjustments		
Realized (gains) losses	(17,123)	(3,111)
Unrealized (gains) losses	7,300	(4,201)
Gross proceeds of disposition of investments	130,131	91,851
Gross payments for the purchase of investments	(126,866)	(82,250)
Change in investment income due and accrued	(90)	22
Change in due from/to The Canada Life Assurance Company	51	(10)
Change in due from/to brokers	(5)	5
Change in due from/to outside parties	(1)	1
	<u>3,027</u>	<u>9,016</u>
Financing Activities		
Contractholder deposits	18,804	14,851
Contractholder withdrawals	(24,827)	(23,264)
	<u>(6,023)</u>	<u>(8,413)</u>
Net increase (decrease) in cash, short-term deposits and overdrafts	(2,996)	603
Cash, short-term deposits and overdrafts, beginning of year	10,738	10,135
Cash, short-term deposits and overdrafts, end of year	<u>7,742</u>	<u>10,738</u>
Supplementary cash flow information		
Interest received	\$ 2,183	\$ 2,240
Dividends received	3,107	2,835

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds			
Federal Government			
Canada Housing Trust 1.75% 06-15-2022	580,000	573	571
Canada Housing Trust 2.35% 06-15-2027	740,000	763	737
Canada Housing Trust 2.40% 12-15-2022	1,615,000	1,645	1,635
Canada Housing Trust No. 1 1.25% 12-15-2020	2,691,000	2,689	2,640
Canada Housing Trust No. 1 1.75% 06-15-2018	1,470,000	1,497	1,473
Canada Housing Trust No. 1 1.95% 06-15-2019	853,000	872	856
Canada Housing Trust No. 1 2.55% 03-15-2025	353,000	371	359
Canada Housing Trust No. 1 2.65% 03-15-2022	2,542,000	2,700	2,601
Canada Housing Trust No. 1 2.90% 06-15-2024	963,000	1,037	1,000
Government of Canada 1.50% 06-01-2026	1,886,000	1,905	1,810
Government of Canada 2.75% 12-01-2048	708,000	802	784
Government of Canada 3.50% 12-01-2045	132,000	172	165
Government of Canada 4.00% 06-01-2041	461,000	591	605
Muskrat Falls 3.86% 12-01-2048	826,000	844	986
Muskrat Falls/Labrador Transmissions Assets Funding 3.83% 06-01-2037	490,000	500	560
 Total Federal Government		16,961	16,782
 Provincial Governments			
Province of Alberta 3.30% 12-01-2046	522,000	528	551
Province of Alberta 3.40% 12-01-2023	616,000	667	651
Province of British Columbia 2.85% 06-18-2025	1,116,000	1,163	1,146
Province of British Columbia 3.20% 06-18-2044	1,290,000	1,241	1,366
Province of British Columbia 3.30% 12-18-2023	460,000	486	485
Province of British Columbia 4.95% 06-18-2040	321,000	424	432
Province of Ontario 1.35% 03-08-2022	751,000	728	727
Province of Ontario 2.40% 06-02-2026	1,050,000	1,103	1,037
Province of Ontario 2.60% 06-02-2025	1,272,000	1,312	1,280
Province of Ontario 2.80% 06-02-2048	974,000	923	948
Province of Ontario 4.65% 06-02-2041	1,174,000	1,420	1,513
Province of Ontario 4.70% 06-02-2037	1,486,000	1,715	1,883
Province of Quebec 2.75% 09-01-2025	1,291,000	1,344	1,314
Province of Quebec 3.50% 12-01-2048	667,000	710	746
Province of Quebec 4.25% 12-01-2043	2,200,000	2,502	2,724
 Total Provincial Governments		16,266	16,803

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Municipal Governments			
City of Montreal 3.50% 09-01-2023	866,000	872	912
City of Toronto 2.40% 06-07-2027	337,000	336	326
City of Toronto 3.40% 05-21-2024	344,000	368	360
City of Toronto 5.20% 06-01-2040	885,000	915	1,171
 Total Municipal Governments	 2,491	 2,769	
Corporate - Non Convertible			
407 International Inc. 2.47% 09-08-2022	115,000	115	114
407 International Inc. 4.30% 05-26-2021 Callable	656,000	719	696
407 International Inc. 4.99% 06-16-2020 Callable	553,000	562	590
Altalink LP 3.668% 11-06-2023	295,000	323	313
Bank of Montreal 2.70% 12-09-2026	221,000	221	219
Bank of Montreal 3.32% 06-01-2026	322,000	327	328
Bank of Montreal 4.61% 09-10-2025 Callable	227,000	265	255
Bell Canada 3.35% 03-22-2023	682,000	675	699
Bell Canada 3.60% 09-29-2027	289,000	288	292
Brookfield Infrastructure Partners 3.315% 02-22-2024	79,000	80	79
Bruce Power LP 3.969% 06-23-2026	147,000	147	154
Canadian Imperial Bank of Commerce 2.30% 07-11-2022	314,000	314	311
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable	419,000	423	423
Canadian Natural Resources Ltd. 3.42% 12-01-2026	230,000	230	226
CU Inc. 3.805% 09-10-2042	269,000	267	283
CU Inc. 4.085% 09-02-2044	97,000	106	107
Dollarama Inc. 2.203% 11-10-2022	26,000	26	25
Dollarama Inc. 2.337% 07-22-2021	374,000	381	371
Eagle Credit Card Trust 2.849% 10-17-2018	492,000	512	496
Enbridge Gas Distribution 3.51% 11-29-2047	356,000	356	357
Enbridge Inc. 4.24% 08-27-2042	549,000	549	527
Enbridge Inc. 4.77% 09-02-2019 Callable	570,000	627	592
Enbridge Inc. 5.375% 09-27-2077	325,000	325	324
First Cap Realty Inc. 3.753% 07-12-2027	116,000	116	115
Ford Credit Canada Ltd. 2.58% 05-10-2021	214,000	214	212
FortisAlberta Inc. 3.672% 09-09-2047	105,000	105	108
Gibson Energy Inc. 5.25% 07-15-2024 Series REGS	183,000	183	185
Gibson Energy Inc. 5.25% 07-15-2024 Series OCT	79,000	79	80
Glacier Credit Canada Trust 2.568% 09-20-2019	617,000	637	620

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Greater Toronto Airports Authority 1.51% 02-16-2021	295,000	295	289
Greater Toronto Airports Authority 3.04% 09-21-2022	416,000	421	429
Greater Toronto Airports Authority 5.63% 06-07-2040 Callable	519,000	661	726
Greater Toronto Airports Authority 5.96% 11-20-2019 Callable	646,000	787	691
HSBC Bank Canada 2.17% 06-29-2022	225,000	222	221
Husky Energy Inc. 3.60% 03-10-2027	151,000	151	151
Hydro One Inc. 3.20% 01-13-2022	829,000	859	855
Hydro One Inc. 3.72% 11-18-2047	240,000	240	249
Inter Pipeline Ltd. 3.448% 07-20-2020	656,000	662	671
Inter Pipeline Ltd. 3.484% 12-16-2026	283,000	285	282
Laurentian Bank of Canada 3.278% 10-15-2018	175,000	177	177
Laurentian Bank of Canada 4.25% 06-22-2027	313,000	315	315
Loblaw Companies Ltd. 3.748% 03-12-2019	611,000	630	623
Loblaw Companies Ltd. 4.86% 03-12-2023 Callable	305,000	305	334
Loblaw Companies Ltd. 6.85% 03-01-2032 Callable	396,000	473	516
Manufacturers Life Insurance Co. 2.64% 01-15-2025	443,000	443	445
Manufacturers Life Insurance Co. 2.93% 11-29-2023 Callable	620,000	621	626
Manulife Finance (Delaware) LP 5.059% 12-15-2041	278,000	274	315
Manulife Financial Corp. 3.049% 08-20-2029	179,000	179	178
National Bank of Canada 1.957% 06-30-2022	233,000	231	227
North West Redwater Partnership 2.80% 06-01-2027	143,000	143	138
North West Redwater Partnership 3.20% 04-24-2026	235,000	245	237
Ontario Power Generation 3.315% 10-04-2027	139,000	139	141
Parkland Fuel Corp. 5.625% 05-09-2025	200,000	200	202
Parkland Fuel Corp. 5.75% 09-16-2024 Callable	99,000	101	101
Pembina Pipeline Corp. 2.99% 01-22-2024	90,000	89	89
Royal Bank of Canada 1.583% 09-13-2021	366,000	366	355
Royal Bank of Canada 2.00% 03-21-2022	549,000	549	539
Royal Bank of Canada 2.26% 03-12-2018	987,000	998	989
Royal Bank of Canada 2.33% 12-05-2023	650,000	650	639
Royal Bank of Canada 2.99% 12-06-2024	1,215,000	1,227	1,232
Royal Bank of Canada 3.04% 07-17-2024 Callable	694,000	700	700
Royal Bank of Canada 4.93% 07-16-2025	241,000	288	276
Saputo Inc. 1.939% 06-13-2022	348,000	348	338
Saputo Inc. 2.827% 11-21-2023	137,000	137	137
Shaw Communications Inc. 6.75% 11-09-2039	254,000	291	328
Sun Life Financial Inc. 2.75% 11-23-2027	281,000	281	279

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Sun Life Financial Inc. 5.70% 07-02-2019 Callable	502,000	541	528
Suncor Energy Inc. 3.10% 11-26-2021	774,000	789	791
Suncor Energy Inc. 5.39% 03-26-2037 Callable	634,000	668	755
Superior Plus LP 5.25% 02-27-2024	282,000	286	288
TELUS Corp. 4.85% 04-05-2044	336,000	338	358
TELUS Corp. 5.05% 12-04-2019	575,000	640	606
Teranet Holdings LP 4.807% 12-16-2020	157,000	171	164
The Bank of Nova Scotia 2.242% 03-22-2018	446,000	458	447
The Bank of Nova Scotia 2.29% 06-28-2024	182,000	182	177
The Toronto-Dominion Bank 2.045% 03-08-2021	719,000	734	713
The Toronto-Dominion Bank 2.171% 04-02-2018	597,000	598	598
The Toronto-Dominion Bank 2.621% 12-22-2021	799,000	838	805
The Toronto-Dominion Bank 2.692% 06-24-2025	1,255,000	1,252	1,260
The Toronto-Dominion Bank 3.224% 07-25-2029	170,000	170	170
TransCanada PipeLines Ltd. Floating Rate 05-18-2077	241,000	241	241
Union Gas Ltd. 3.59% 11-22-2047	217,000	217	220
 Total Corporate - Non Convertible	 32,278	 32,262	
 Total Canadian Bonds	 67,996	 68,616	
United States Bonds			
Corporate - Non Convertible			
Apple Inc. 2.513% 08-19-2024	372,000	372	368
AT&T Inc. 3.825% 11-25-2020	602,000	606	623
Bank of America 3.407% 09-20-2025	167,000	167	170
McDonald's Corp. 3.125% 03-04-2025	255,000	254	257
Molson Coors International LP 2.25% 09-18-2018 Callable	501,000	501	502
 Total Corporate - Non Convertible	 1,900	 1,920	
 Total United States Bonds	 1,900	 1,920	
 Total Bonds	 69,896	 70,536	

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Common Stock			
Consumer Discretionary			
Cogeco Communications Inc. Sub. voting	8,800	694	761
Magna International Inc.	32,300	1,906	2,301
Martinrea International Inc.	98,472	1,059	1,579
Consumer Staples			
Loblaw Companies Ltd.	27,800	1,895	1,897
Metro Inc.	42,300	1,826	1,703
Energy			
ARC Resources Ltd.	80,375	1,521	1,186
Canadian Natural Resources Ltd.	64,870	2,692	2,914
Enbridge Income Fund Holdings Inc.	20,100	631	599
Enerplus Corp.	109,200	1,140	1,344
Freehold Royalties Ltd.	90,000	1,112	1,265
Inter Pipeline Ltd.	28,000	692	729
Seven Generations Energy Ltd.	68,025	1,749	1,209
Tourmaline Oil Corp.	58,641	1,688	1,336
Financials			
Bank of Montreal	36,400	3,418	3,661
Brookfield Asset Management Inc.	41,972	1,798	2,297
Canadian Imperial Bank of Commerce	29,900	3,184	3,664
ECN Capital Corp.	133,700	536	525
Intact Financial Corp.	13,700	1,307	1,438
Manulife Financial Corp.	108,805	2,122	2,853
Royal Bank of Canada	58,584	3,968	6,014
The Bank of Nova Scotia	61,936	3,850	5,024
The Toronto-Dominion Bank	73,920	3,342	5,444
Industrials			
Canadian National Railway Co.	28,582	2,481	2,963
SNC-Lavalin Group Inc.	32,400	1,737	1,848
Information Technology			
Celestica Inc.	78,500	1,140	1,035
CGI Group Inc. Class A Sub. voting	29,600	1,405	2,022
Open Text Corp.	48,365	2,100	2,162

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Common Stock (continued)			
Materials			
Agrium Inc.	10,700	1,257	1,547
Detour Gold Corp.	47,900	722	708
Goldcorp Inc.	37,203	729	596
Real Estate Investment Trust			
H&R REIT	60,100	1,320	1,284
RioCan REIT	35,400	880	862
Telecommunication Services			
BCE Inc.	52,200	3,099	3,152
Rogers Communications Inc. Class B non-voting	21,100	1,052	1,351
Total Canadian Common Stock		60,052	69,273
United States Common Stock			
Consumer Discretionary			
General Motors Co.	10,016	461	517
Omnicom Group Inc.	4,618	460	423
PulteGroup Inc.	10,274	315	430
The Goodyear Tire & Rubber Co.	7,625	364	310
Consumer Staples			
CVS Health Corp.	3,500	256	319
J.M. Smucker Co.	2,264	375	354
Kimberly-Clark Corp.	2,031	309	308
PepsiCo Inc.	2,098	322	317
Tyson Foods Inc. Class A	2,973	317	303
Walgreens Boots Alliance Inc.	3,642	415	333
Wal-Mart Stores Inc.	2,516	254	313
Energy			
Andeavor Logistics LP	2,345	333	337
Chevron Corp.	3,549	515	559
Exxon Mobil Corp.	5,135	548	541
Marathon Petroleum Corp.	5,003	367	415
Occidental Petroleum Corp.	3,486	287	323
Valero Energy Corp.	5,090	444	589

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
United States Common Stock (continued)			
Financials			
Affiliated Managers Group Inc.	1,239	264	320
Aflac Inc.	4,892	536	540
Assurant Inc.	2,454	321	311
Bank of America Corp.	15,148	302	563
Capital One Financial Corp.	4,622	524	579
Citigroup Inc.	5,674	379	531
Comerica Inc.	4,129	400	451
JPMorgan Chase & Co.	4,074	284	548
Morgan Stanley	8,248	490	545
People's United Financial Inc.	21,436	509	504
Prudential Financial Inc.	3,714	431	537
The Bank of New York Mellon Corp.	6,694	435	454
U.S. Bancorp	5,446	383	367
Wells Fargo & Co.	6,606	337	504
Health Care			
Amgen Inc.	1,382	309	302
Express Scripts Holding Co.	4,328	365	407
HCA Healthcare Inc.	2,913	319	322
Johnson & Johnson Inc.	2,033	343	357
Merck & Co. Inc.	7,605	604	539
Pfizer Inc.	11,659	527	531
Industrials			
Caterpillar Inc.	1,748	307	347
Delta Air Lines Inc.	4,703	318	331
Dover Corp.	2,586	276	329
The Boeing Co.	901	232	334
Information Technology			
Cisco Systems Inc.	10,310	479	497
IBM Corp.	2,770	567	535
Intel Corp.	7,509	374	436
Micron Technology Inc.	7,146	370	370
Xerox Corp.	12,868	502	472

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
United States Common Stock (continued)			
Materials			
Eastman Chemical Co.	4,584	525	534
Owens-Illinois Inc.	10,161	304	284
Telecommunication Services			
AT&T Inc.	8,259	438	404
CenturyLink Inc.	17,133	520	360
Verizon Communications Inc.	8,314	518	554
Utilities			
Duke Energy Corp.	3,365	363	356
Exelon Corp.	9,171	437	455
FirstEnergy Corp.	12,497	493	482
Public Service Enterprise Group Inc.	6,626	364	429
SCANA Corp.	6,839	527	342
Total United States Common Stock	22,318		23,754
Global Common Stock			
Belgium			
Groupe Bruxelles Lambert SA	11,342	1,022	1,539
Proximus Group	9,574	334	395
Bermuda			
Great Eagle Holdings Ltd.	83,712	368	552
Lancashire Holdings Ltd.	55,959	675	648
XL Group Ltd.	6,460	320	286
France			
Sanofi SA	9,195	819	996
Hong Kong			
Dah Sing Financial Group	48,640	287	392
Ireland			
Bank of Ireland PLC	42,664	372	460
C&C Group PLC	104,390	531	451
CRH PLC	11,495	349	520

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Ireland (continued)			
DCC PLC	8,326	286	1,055
Eaton Corp. PLC	4,922	512	489
Origin Enterprises PLC	81,545	765	781
Ryanair Holdings PLC ADR	3,365	362	441
Israel			
Bank Leumi Le-Israel	73,961	207	561
Italy			
Eni SPA	13,842	490	288
Japan			
Alfresca Holdings Corp.	26,100	593	771
Amada Co. Ltd.	31,000	231	530
NTT DoCoMo Inc.	23,400	532	696
Netherlands			
AerCap Holdings NV	17,700	1,208	1,172
Unilever NV CVA	5,391	290	381
Panama			
Carnival Corp.	5,218	453	436
South Korea			
Samsung Electronics Co. Ltd.	80	115	240
Spain			
Merlin Properties Socimi SA REIT	29,987	408	511
Sweden			
Telefonaktiebolaget LM Ericsson	113,985	899	941
Switzerland			
Novartis AG Registered	9,585	739	1,020
The Swatch Group AG B Share	2,138	1,076	1,097

Managed Fund (Laketon) SF035

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Global Common Stock (continued)			
Thailand			
Bangkok Bank PLC	51,007	256	432
Thai Beverage PCL	614,071	171	532
United Kingdom			
Diageo PLC	21,734	644	1,001
Fenner PLC	132,218	506	897
GlaxoSmithKline PLC	39,034	1,002	869
LSL Property Services PLC	241,198	1,257	1,133
LyondellBasell Industries NV Class A	4,031	513	560
Melrose Industries PLC	368,844	888	1,323
Smiths Group PLC	30,339	664	764
United Utilities Group PLC	18,575	328	262
Vodafone Group PLC	114,674	524	456
Total Global Common Stock	20,996		25,880
Total Stocks	103,366		118,907
Transaction Costs (see notes to financial statements)		(150)	
Total Investments	173,112		189,443

Managed Fund (Laketon) SF035
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

Introduction

The objective of the Managed Fund (Laketon) SF035 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

Managed Fund (Laketon) SF035
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 27,140	\$ 565	\$ 27,705	\$ 277
United Kingdom Pound Sterling	8,407	—	8,407	84
Euro	6,323	—	6,323	63
Other Currencies	7,764	—	7,764	78
Total	\$ 49,634	\$ 565	\$ 50,199	\$ 502
As Percent of Net Assets Attributable to Contractholders			25.4%	0.3%

*Includes both monetary and non-monetary instruments

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 23,160	\$ 1,594	\$ 24,754	\$ 248
United Kingdom Pound Sterling	9,261	—	9,261	93
Euro	7,149	—	7,149	71
Other Currencies	6,622	—	6,622	66
Total	\$ 46,192	\$ 1,594	\$ 47,786	\$ 478
As Percent of Net Assets Attributable to Contractholders			24.6%	0.2%

*Includes both monetary and non-monetary instruments

D. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017

	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total
Bonds	\$ 4,682	\$ 22,033	\$ 23,628	\$ 20,193	\$ 70,536

Managed Fund (Laketon) SF035
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Interest Rate Risk (continued)

	2016					
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total	
Bonds	\$ 5,171	\$ 18,411	\$ 26,860	\$ 19,027	\$ 69,469	

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$5,145 (\$4,862 at December 31, 2016) or approximately 2.6% (2.5% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

E. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

Debt securities by credit rating are as follows:

	2017		2016	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AAA	25.4	9.1	29.7	10.6
AA	11.5	4.1	16.5	5.9
A	41.0	14.6	35.7	12.8
BBB	20.0	7.1	17.9	6.4
BB and lower	2.1	0.8	0.2	0.1
Total	100.0	35.7	100.0	35.8

Managed Fund (Laketon) SF035
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

F. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$1,189 (\$1,134 at December 31, 2016) or approximately 0.6% (0.6% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

G. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

Assets measured at fair value	2017			
	Level 1	Level 2	Level 3	Total
Bonds	\$ —	\$ 70,536	\$ —	\$ 70,536
Stocks	96,415	22,492	—	118,907
Total assets measured at fair value	\$ 96,415	\$ 93,028	\$ —	\$ 189,443

Assets measured at fair value	2016			
	Level 1	Level 2	Level 3	Total
Bonds	\$ —	\$ 69,469	\$ —	\$ 69,469
Stocks	91,357	22,059	—	113,416
Total assets measured at fair value	\$ 91,357	\$ 91,528	\$ —	\$ 182,885

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for certain non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, non-North American equities are frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of December 31, 2017, these securities were classified as Level 2 (Level 2 at December 31, 2016).

Managed Fund (Laketon) SF035

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	877,145	990,751	1,112,250	1,252,916	1,398,899	67,087	72,348	78,536	86,128	89,293
Generations/Mosaic	2,051,310	2,238,785	2,579,553	2,702,891	2,990,341	36,344	37,871	42,194	43,042	44,217
Generations I	1,812,418	2,116,908	1,927,177	1,132,047	884,190	26,929	30,030	26,435	15,118	10,964
Generations II	322,925	313,843	313,449	268,571	237,050	4,369	4,056	3,919	3,271	2,683
Generations Core	196,517	237,994	199,354	133,987	104,772	2,699	3,119	2,525	1,651	1,198
Group	88,786	101,213	117,486	133,417	147,068	—	—	—	—	—
75/75 guarantee policy	333,319	372,561	376,444	185,962	198,933	4,919	5,247	5,123	2,463	2,445
75/100 guarantee policy	1,761,455	1,550,788	1,492,263	1,237,989	1,039,535	25,905	21,775	20,260	16,364	12,759
100/100 guarantee policy	126,033	115,026	153,393	102,536	66,750	1,846	1,609	2,076	1,352	422
PS1 75/75 guarantee policy	29,908	30,620	—	—	—	438	425	—	—	—
PS1 75/100 guarantee policy	254,589	230,774	135,943	21,852	14,865	3,701	3,187	1,806	281	177
PS1 100/100 guarantee policy	64,009	63,758	—	—	—	917	870	—	—	—
PS2 75/75 guarantee policy	270,112	203,876	211,231	254,228	254,559	4,485	3,141	3,058	3,482	3,146
PS2 75/100 guarantee policy	675,079	191,093	100,182	101,299	69,997	11,210	2,944	1,451	1,388	865
PS2 100/100 guarantee policy	—	—	954	—	—	—	—	14	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	76.48	73.02	70.61	68.74	63.83	3.46	2.41
Generations/Mosaic	17.72	16.92	16.36	15.92	14.79	0.80	0.56
Generations I	14.86	14.19	13.72	13.35	12.40	0.67	0.47
Generations II	13.53	12.92	12.50	12.18	11.32	0.61	0.42
Generations Core	13.73	13.10	12.66	12.32	11.44	0.63	0.44
Group	—	—	—	—	—	—	—
75/75 guarantee policy	14.76	14.08	13.61	13.24	12.29	0.68	0.47
75/100 guarantee policy	14.71	14.04	13.58	13.22	12.27	0.67	0.46
100/100 guarantee policy	14.64	13.99	13.53	13.18	12.25	0.65	0.46
PS1 75/75 guarantee policy	14.65	13.89	—	—	—	0.76	0.84
PS1 75/100 guarantee policy	14.54	13.81	13.29	12.87	11.89	0.73	0.52
PS1 100/100 guarantee policy	14.33	13.64	—	—	—	0.69	0.67
PS2 75/75 guarantee policy	16.61	15.41	14.48	13.70	12.36	1.20	0.93
PS2 75/100 guarantee policy	16.61	15.41	14.48	13.70	12.36	1.20	0.93
PS2 100/100 guarantee policy	—	—	14.45	—	—	—	—

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds and Stocks

Bonds and stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Managed Fund (Laketon) SF035

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Managed Fund (Laketon) SF035

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.87	2.87	2.87	2.88	2.88
Generations/Mosaic	2.87	2.87	2.87	2.88	2.88
Generations I	2.87	2.86	2.87	2.88	2.88
Generations II	2.92	2.92	2.92	2.93	2.93
Generations Core	2.82	2.81	2.81	2.82	2.83
75/75 guarantee policy	2.82	2.81	2.81	2.82	2.83
75/100 guarantee policy	2.87	2.86	2.87	2.88	2.88
100/100 guarantee policy	2.92	2.93	2.92	2.93	2.94
PS1 75/75 guarantee policy	2.20	2.19	—	—	—
PS1 75/100 guarantee policy	2.36	2.34	2.36	2.37	2.37
PS1 100/100 guarantee policy	2.58	2.58	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	66.07	44.27	47.03	40.19	53.84

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INTERNATIONAL BOND FUND (LAKETON) SF036

December 31, 2017



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Independent Auditor's Report

To the Contractholders of International Bond Fund (Laketon) SF036

We have audited the accompanying financial statements of International Bond Fund (Laketon) SF036, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Bond Fund (Laketon) SF036 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

International Bond Fund (Laketon) SF036

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 6,831	\$ 9,389
Investment income due and accrued	809	723
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	107,567	104,281
Stocks	—	—
Investment fund units	—	—
Total investments	107,567	104,281
Total assets	\$ 115,207	\$ 114,393
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	47	14
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	47	14
Net assets attributable to contractholders	\$ 115,160	\$ 114,379

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,567	\$ (576)	(576)
Miscellaneous income (loss)	(298)	(483)	(483)
Total income	1,269	(1,059)	(1,059)
Expenses			
Management fees (note 7)	469	617	617
Transaction costs	—	—	—
Withholding taxes	—	—	—
Other	42	62	62
Total expenses	511	679	679
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 758	\$ (1,738)	(1,738)

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 114,379	\$ 93,910	93,910
Contractholder withdrawals	(13,391)	(13,914)	(13,914)
Increase (decrease) in net assets from operations attributable to contractholders	758	(1,738)	(1,738)
Change in net assets attributable to contractholders	781	20,469	20,469
Net assets attributable to contractholders - end of year	\$ 115,160	\$ 114,379	114,379

International Bond Fund (Laketon) SF036

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 758	\$ (1,738)
Adjustments		
Realized (gains) losses	(946)	(323)
Unrealized (gains) losses	1,630	2,670
Gross proceeds of disposition of investments	14,237	3,566
Gross payments for the purchase of investments	(18,207)	(20,738)
Change in investment income due and accrued	(86)	(66)
Change in due from/to The Canada Life Assurance Company	33	128
	<hr/> (2,581)	<hr/> (16,501)
Financing Activities		
Contractholder deposits	13,414	36,121
Contractholder withdrawals	<hr/> (13,391)	<hr/> (13,914)
	<hr/> 23	<hr/> 22,207
Net increase (decrease) in cash, short-term deposits and overdrafts	(2,558)	5,706
Cash, short-term deposits and overdrafts, beginning of year	9,389	3,683
Cash, short-term deposits and overdrafts, end of year	\$ 6,831	\$ 9,389
Supplementary cash flow information		
Interest received	\$ 2,225	\$ 1,921

International Bond Fund (Laketon) SF036

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds			
Federal Government			
Government of Canada 5.75% 06-01-2033	394,000	502	578
Total Federal Government		502	578
Provincial Governments			
Province of Ontario 1.65% 06-08-2020	130,000,000	1,817	1,509
Province of Ontario 3.00% 07-16-2018	250,000	239	317
Total Provincial Governments		2,056	1,826
Corporate - Non Convertible			
CNOOC Finance 4.25% 04-30-2024	600,000	659	798
Reseau Ferre de France 5.00% 10-10-2033	259,000	417	594
Total Corporate - Non Convertible		1,076	1,392
Total Canadian Bonds		3,634	3,796
United States Bonds			
Federal Government			
United States Treasury 1.00% 09-15-2018	1,050,000	1,295	1,315
United States Treasury 1.75% 06-30-2022	2,000,000	2,514	2,472
United States Treasury 2.00% 02-28-2021	1,500,000	1,794	1,887
United States Treasury 2.75% 11-15-2042	770,000	998	976
United States Treasury 3.875% 08-15-2040	600,000	935	910
Total Federal Government		7,536	7,560
Corporate - Non Convertible			
Air Products and Chemicals Inc. 3.35% 07-31-2024	650,000	700	846
Apple Inc. 2.85% 05-06-2021	400,000	437	512
AT&T Inc. 2.35% 09-04-2029	1,800,000	2,733	2,751
EMD Finance LLC 3.25% 03-19-2025	750,000	953	952
HSBC USA Inc. 3.50% 06-23-2024	700,000	756	906
IBM Corp. 1.875% 11-06-2020	500,000	705	794
IBM Corp. 3.625% 02-12-2024	600,000	663	791
Johnson & Johnson Inc. 1.65% 05-20-2035	1,400,000	2,045	2,194

International Bond Fund (Laketon) SF036

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u>	<u>Average</u>	<u>Fair</u>
	<u>Shares or</u>	<u>Cost</u>	<u>Value</u>
	<u>Par Value</u>		
United States Bonds (continued)			
Corporate - Non Convertible (continued)			
Metropolitan Life Global Funding I 3.00% 01-10-2023	500,000	494	635
Microsoft Corp. 3.625% 12-15-2023	600,000	636	796
Petrobras Global Finance 4.875% 03-17-2020	700,000	775	906
Pfizer Inc. 3.40% 05-15-2024	800,000	868	1,050
Praxair Inc. 2.25% 09-24-2020	1,000,000	1,323	1,257
Procter & Gamble Co. 2.00% 08-16-2022	500,000	610	815
Thermo Fisher Scientific Inc. 2.875% 07-24-2037	350,000	509	538
Verizon Communications Inc. 1.875% 10-26-2029	600,000	883	904
Wal-Mart Stores Inc. 2.55% 04-11-2023 Callable	600,000	606	759
 Total Corporate - Non Convertible	 15,696	 17,406	
 Total United States Bonds	 23,232	 24,966	
Global Bonds			
Australia			
Australia and New Zealand Banking Group 2.50% 01-16-2024	500,000	733	849
Government of Australia 5.25% 03-15-2019	1,583,000	1,417	1,616
Scentre Management Ltd. 1.50% 07-16-2020	600,000	871	935
 Austria			
Republic of Austria 1.75% 10-20-2023	400,000	524	665
 France			
AXA SA Floating Rate 01-17-2047	2,000,000	2,647	2,726
BNP Paribas SA 2.875% 10-24-2022	500,000	643	845
Caisse d'Amortissement de la Dette Sociale 3.75% 10-25-2020	590,000	854	993
Engie Co. 3.875% 06-02-2049	500,000	739	851
Engie SA 0.875% 03-27-2024	400,000	567	613
Unibail-Rodamco SE 1.375% 04-15-2030	800,000	1,068	1,198
 Germany			
Deutsche Boerse AG 1.125% 03-26-2018	450,000	592	682
Government of Germany 0.50% 02-15-2025	320,000	504	497
Government of Germany 1.00% 10-12-2018	1,280,000	2,003	1,959
Government of Germany 1.50% 02-15-2023	740,000	1,107	1,213
Government of Germany 2.50% 07-04-2044	550,000	1,011	1,081

International Bond Fund (Laketon) SF036

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Global Bonds (continued)			
Germany (continued)			
Kfw-Kredit Wiederaufbau 3.125% 06-15-2018	300,000	427	461
Hong Kong			
CNOOC Finance 2013 LP 1.75% 05-09-2018	500,000	502	628
Ireland			
Government of Ireland 2.40% 05-15-2030	800,000	1,133	1,393
Government of Ireland 4.50% 10-18-2018	270,000	417	424
Italy			
Intesa Sanpaolo SPA 3.25% 02-10-2026	500,000	762	905
Japan			
Asian Development Bank 2.35% 06-21-2027	160,000,000	2,101	2,177
European Investment Bank 1.90% 01-26-2026	58,600,000	764	759
Government of Japan 0.10% 06-20-2019	97,000,000	1,175	1,087
Government of Japan 0.10% 06-20-2027	122,000,000	1,453	1,372
Government of Japan 0.30% 03-20-2018	200,000,000	2,006	2,236
Government of Japan 0.40% 03-20-2025	110,000,000	1,197	1,270
Government of Japan 0.60% 03-20-2024	150,000,000	1,672	1,746
Government of Japan 0.80% 06-20-2023	30,000,000	369	352
Government of Japan 0.90% 03-20-2022	30,000,000	392	349
Government of Japan 1.20% 03-20-2035	170,000,000	1,729	2,145
Government of Japan 1.20% 06-20-2021	30,000,000	372	350
Government of Japan 1.30% 06-20-2020	30,000,000	381	347
Government of Japan 1.30% 12-20-2019	30,000,000	384	344
Government of Japan 1.40% 03-20-2034	187,000,000	2,269	2,429
Government of Japan 1.50% 03-20-2033	175,000,000	1,739	2,301
Government of Japan 1.90% 06-20-2025	30,000,000	423	384
Government of Japan 1.90% 09-20-2030	200,000,000	2,839	2,717
Japan Tobacco Inc. 2.10% 07-23-2018	1,050,000	1,087	1,321
Sumitomo Life Insurance Floating Rate 09-14-2077	1,600,000	1,938	1,971
Luxembourg			
European Financial Stability Facility 0.875% 04-16-2018	850,000	1,125	1,289
European Financial Stability Facility 3.375% 07-05-2021	849,000	1,166	1,446
European Investment Bank 2.50% 03-15-2019	300,000	398	470

International Bond Fund (Laketon) SF036

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Global Bonds (continued)			
Mexico			
America Movil SAB de CV 3.125% 07-16-2022 Callable	200,000	206	255
Netherlands			
Airbus Group NV 2.70% 04-17-2023	500,000	507	629
Cooperatieve Rabobank UA Floating Rate 04-10-2029	600,000	795	766
Government of Netherlands 4.00% 07-15-2019	100,000	152	162
Siemens AG 3.25% 05-27-2025	800,000	959	1,021
Siemens Financieringsmat 2.35% 10-15-2026	3,100,000	3,971	3,682
Norway			
Kommunalbanken AS 2.125% 03-15-2019	600,000	648	756
Singapore			
Temasek Financial Ltd. 4.30% 10-25-2019 Callable	700,000	811	913
South Korea			
Export - Import Bank of Korea 2.00% 04-30-2020	500,000	665	786
Export - Import Bank of Korea 2.38% 08-12-2019	700,000	766	878
Spain			
Bonds Y Oblig Del Est 5.85% 01-31-2022	480,000	945	892
Government of Spain 1.95% 07-30-2030	810,000	1,143	1,226
Sweden			
Stadshypotek AB 1.25% 05-23-2018	500,000	507	628
Svenska Handelsbanken AB 2.25% 08-27-2020	500,000	686	800
United Kingdom			
Abbey National Treasury Services PLC 2.00% 01-14-2019	500,000	724	772
Abbey National Treasury Services PLC 3.05% 08-23-2018	400,000	415	507
AON PLC 3.50% 06-14-2024	400,000	435	515
Barclays PLC 1.875% 12-08-2023	1,500,000	2,127	2,381
BP Capital Markets PLC 2.241% 09-26-2018	400,000	411	505
BP Capital Markets PLC 2.518% 01-16-2020	700,000	763	884
Commonwealth Bank of Australia 3.00% 09-04-2026	350,000	545	662
Diageo Finance PLC 1.125% 05-20-2019	600,000	898	921
HSBC Holdings PLC 4.00% 03-30-2022	500,000	494	658

International Bond Fund (Laketon) SF036

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Global Bonds (continued)			
United Kingdom (continued)			
International Bank for Reconstruction and Development 4.875% 12-07-2028	436,000	864	990
Pearson Funding Five PLC 1.875% 05-19-2021	600,000	894	954
Reed Elsevier Investment 2.75% 08-01-2019	400,000	726	694
Standard Chartered PLC 1.625% 06-13-2021	500,000	734	789
UK Treasury 3.50% 01-22-2045	320,000	739	743
Venezuela			
Corp. Andina De Fomento 1.875% 05-29-2021	600,000	894	956
Corp. Andina De Fomento 2.125% 09-27-2021	2,500,000	3,296	3,084
Total Global Bonds	73,220	78,805	
Total Bonds	100,086	107,567	
Total Investments	100,086	107,567	

International Bond Fund (Laketon) SF036

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the International Bond Fund (Laketon) SF036 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

International Bond Fund (Laketon) SF036
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 40,413	\$ 790	\$ 41,203	\$ 412
Euro	37,998	10	38,008	380
Japanese Yen	23,873	14	23,887	239
Other Currencies	4,705	240	4,945	49
Total	\$ 106,989	\$ 1,054	\$ 108,043	\$ 1,080
As Percent of Net Assets Attributable to Contractholders			93.8%	0.9%

*Includes both monetary and non-monetary instruments

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 39,343	\$ 4,165	\$ 43,508	\$ 435
Euro	34,808	846	35,654	357
Japanese Yen	24,651	93	24,744	247
Other Currencies	4,893	19	4,912	49
Total	\$ 103,695	\$ 5,123	\$ 108,818	\$ 1,088
As Percent of Net Assets Attributable to Contractholders			95.1%	1.0%

*Includes both monetary and non-monetary instruments

D. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

International Bond Fund (Laketon) SF036
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Interest Rate Risk (continued)

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 12,272	\$ 34,088	\$ 29,226	\$ 31,981	\$	107,567

2016						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 7,133	\$ 40,265	\$ 31,308	\$ 25,575	\$	104,281

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$6,785 (\$6,666 at December 31, 2016) or approximately 5.9% (5.8% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

E. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

International Bond Fund (Laketon) SF036
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Credit Risk (continued)

Debt securities by credit rating are as follows:

	2017		2016	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AAA	23.9	22.2	24.9	22.7
AA	16.8	15.7	20.0	18.2
A	42.8	40.0	44.8	40.9
BBB	15.7	14.7	9.4	8.6
BB and lower	0.8	0.8	0.9	0.8
Total	100.0	93.4	100.0	91.2

F. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017					
	Assets Measured at Fair Value					
	Level 1	Level 2	Level 3	Total		
Assets measured at fair value						
Bonds	\$ —	\$ 107,567	\$ —	\$ 107,567		
Total assets measured at fair value	\$ —	\$ 107,567	\$ —	\$ 107,567		
	2016					
	Assets Measured at Fair Value					
	Level 1	Level 2	Level 3	Total		
Assets measured at fair value						
Bonds	\$ —	\$ 104,281	\$ —	\$ 104,281		
Total assets measured at fair value	\$ —	\$ 104,281	\$ —	\$ 104,281		

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

International Bond Fund (Laketon) SF036

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	133,469	142,056	133,239	143,747	162,252	2,307	2,490	2,408	2,332	2,484
Generations/Mosaic	330,168	503,733	425,996	296,807	320,292	3,681	5,694	4,965	3,105	3,162
Generations I	145,003	249,781	150,343	79,551	82,439	1,955	3,410	2,113	1,002	978
Generations II	28,699	38,452	33,645	22,100	22,226	390	530	477	281	267
Generations Core	32,532	70,193	42,792	9,651	21,247	446	975	611	123	318
Group	41,229	59,000	54,290	33,773	30,872	—	—	—	—	—
75/75 guarantee policy	117,778	215,393	94,168	58,348	24,712	1,363	2,522	1,134	630	251
75/100 guarantee policy	409,540	558,049	355,865	145,852	118,460	4,721	6,512	4,275	1,570	1,201
100/100 guarantee policy	52,814	76,469	82,662	23,325	24,363	605	887	988	250	252
PS1 75/75 guarantee policy	67,165	55,382	13,306	—	—	792	656	161	—	—
PS1 75/100 guarantee policy	164,446	213,145	9,386	7,977	—	1,928	2,513	113	86	—
PS1 100/100 guarantee policy	16,203	33,766	—	—	—	188	395	—	—	—
PS2 75/75 guarantee policy	26,854	38,628	25,131	30,071	—	347	493	322	338	—
PS2 75/100 guarantee policy	57,322	13,804	7,031	1,582	—	740	176	90	18	—
PS2 100/100 guarantee policy	—	—	6,997	—	—	—	—	90	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	17.28	17.53	18.07	16.22	15.31	(0.25)	(0.54)
Generations/Mosaic	11.15	11.30	11.66	10.46	9.87	(0.15)	(0.36)
Generations I	13.49	13.65	14.05	12.59	11.86	(0.16)	(0.40)
Generations II	13.60	13.78	14.19	12.72	11.99	(0.18)	(0.41)
Generations Core	13.72	13.88	14.29	12.79	12.05	(0.16)	(0.41)
Group	—	—	—	—	—	—	—
75/75 guarantee policy	11.57	11.71	12.05	10.79	10.16	(0.14)	(0.34)
75/100 guarantee policy	11.53	11.67	12.01	10.77	10.14	(0.14)	(0.34)
100/100 guarantee policy	11.46	11.61	11.95	10.72	10.10	(0.15)	(0.34)
PS1 75/75 guarantee policy	11.80	11.85	12.10	—	—	(0.05)	(0.25)
PS1 75/100 guarantee policy	11.72	11.79	12.05	10.73	—	(0.07)	(0.26)
PS1 100/100 guarantee policy	11.62	11.70	—	—	—	(0.08)	(0.54)
PS2 75/75 guarantee policy	12.91	12.76	12.83	11.23	—	0.15	(0.07)
PS2 75/100 guarantee policy	12.90	12.76	12.83	11.22	—	0.14	(0.07)
PS2 100/100 guarantee policy	—	—	12.83	—	—	—	—

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

International Bond Fund (Laketon) SF036

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

International Bond Fund (Laketon) SF036

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.53	2.54	2.54	2.54	2.54
Generations/Mosaic	2.54	2.54	2.55	2.54	2.54
Generations I	2.38	2.37	2.38	2.37	2.38
Generations II	2.43	2.44	2.44	2.43	2.43
Generations Core	2.33	2.32	2.32	2.32	2.32
75/75 guarantee policy	2.32	2.31	2.33	2.32	2.32
75/100 guarantee policy	2.37	2.37	2.38	2.37	2.38
100/100 guarantee policy	2.43	2.43	2.43	2.43	2.43
PS1 75/75 guarantee policy	1.58	1.58	1.59	—	—
PS1 75/100 guarantee policy	1.70	1.70	1.70	1.69	—
PS1 100/100 guarantee policy	1.88	1.87	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	6.44	1.22	8.44	20.54	23.65

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
ENHANCED DIVIDEND FUND (LAKETON) SF039

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Enhanced Dividend Fund (Laketon) SF039

We have audited the accompanying financial statements of Enhanced Dividend Fund (Laketon) SF039, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Enhanced Dividend Fund (Laketon) SF039 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Enhanced Dividend Fund (Laketon) SF039

(in Canadian \$ thousands)

Fund Manager: Laketon Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 1,651	\$ 4,715
Investment income due and accrued	5,458	5,007
Due from The Canada Life Assurance Company (note 7)	5	548
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	1,248,890	1,168,566
Investment fund units	—	—
Total investments	1,248,890	1,168,566
Total assets	\$ 1,256,004	\$ 1,178,836
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	—
Due to brokers	1,043	2,496
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	1,043	2,496
Net assets attributable to contractholders	\$ 1,254,961	\$ 1,176,340

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 119,529	\$ 225,071	—
Miscellaneous income (loss)	179	121	—
Total income	119,708	225,192	—
Expenses			
Management fees (note 7)	25,364	22,439	—
Transaction costs	96	141	—
Withholding taxes	1	3	—
Other	2,559	2,246	—
Total expenses	28,020	24,829	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 91,688	\$ 200,363	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 1,176,340	\$ 984,831	—
Contractholder withdrawals	(167,373)	(142,670)	—
Increase (decrease) in net assets from operations attributable to contractholders	91,688	200,363	—
Change in net assets attributable to contractholders	78,621	191,509	—
Net assets attributable to contractholders - end of year	\$ 1,254,961	\$ 1,176,340	—

Enhanced Dividend Fund (Laketton) SF039

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 91,688	\$ 200,363
Adjustments		
Realized (gains) losses	(30,350)	(1,282)
Unrealized (gains) losses	(47,241)	(184,579)
Gross proceeds of disposition of investments	74,388	46,516
Gross payments for the purchase of investments	(77,121)	(119,013)
Change in investment income due and accrued	(451)	(554)
Change in due from/to The Canada Life Assurance Company	543	(466)
Change in due from/to brokers	(1,453)	2,496
	<hr/> <u>10,003</u>	<hr/> <u>(56,519)</u>
Financing Activities		
Contractholder deposits	154,306	133,816
Contractholder withdrawals	(167,373)	(142,670)
	<hr/> <u>(13,067)</u>	<hr/> <u>(8,854)</u>
Net increase (decrease) in cash, short-term deposits and overdrafts	(3,064)	(65,373)
Cash, short-term deposits and overdrafts, beginning of year	4,715	70,088
Cash, short-term deposits and overdrafts, end of year	\$ 1,651	\$ 4,715
Supplementary cash flow information		
Dividends received	\$ 41,404	\$ 38,557

Enhanced Dividend Fund (Laketon) SF039

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Common Stock			
Consumer Discretionary			
Hudson's Bay Co.	655,611	13,193	7,395
Magna International Inc.	1,247,257	34,056	88,855
Consumer Staples			
Alimentation Couche-Tard Inc. Class B Sub. voting	26,664	1,564	1,749
Empire Co. Ltd. Class A non-voting	302,589	5,605	7,410
George Weston Ltd.	318,119	22,552	34,726
Loblaw Companies Ltd.	374,630	23,842	25,557
Saputo Inc.	855,791	17,964	38,665
Energy			
ARC Resources Ltd.	293,843	5,488	4,334
Canadian Natural Resources Ltd.	308,846	10,706	13,873
Crescent Point Energy Corp.	978,954	29,002	9,378
Hydro One Ltd.	452,700	10,232	10,140
Imperial Oil Ltd.	199,022	8,344	7,808
Peyto Exploration & Development Corp.	233,959	5,794	3,516
Suncor Energy Inc.	1,297,755	41,425	59,891
Vermilion Energy Inc.	628,762	22,576	28,722
Financials			
Bank of Montreal	841,470	49,019	84,643
Canadian Imperial Bank of Commerce	712,935	60,230	87,363
CI Financial Corp.	529,215	11,802	15,755
Manulife Financial Corp.	1,266,509	29,898	33,208
National Bank of Canada	712,622	19,300	44,696
Royal Bank of Canada	1,055,252	52,345	108,322
Sun Life Financial Inc.	785,772	29,551	40,766
The Bank of Nova Scotia	1,151,093	54,807	93,377
The Toronto-Dominion Bank	1,383,242	47,727	101,876
Industrials			
Canadian National Railway Co.	146,332	11,354	15,167
Materials			
Agrium Inc.	99,039	11,916	14,319
Methanex Corp.	187,820	9,985	14,304

Enhanced Dividend Fund (Laketon) SF039

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Common Stock (continued)			
Materials (continued)			
Potash Corp. of Saskatchewan Inc.	624,254	13,615	16,093
Real Estate Investment Trust			
First Capital Realty Inc.	768,627	10,191	15,926
Telecommunication Services			
BCE Inc.	1,559,406	71,033	94,157
Rogers Communications Inc. Class B non-voting	511,908	20,537	32,788
TELUS Corp.	1,029,752	24,338	49,037
Utilities			
Capital Power Corp.	672,579	15,115	16,471
Fortis Inc.	620,299	16,474	28,603
Total Canadian Common Stock		811,580	1,248,890
Total Stocks		811,580	1,248,890
Transaction Costs (see notes to financial statements)		(569)	
Total Investments		811,011	1,248,890

Enhanced Dividend Fund (Laketon) SF039

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Enhanced Dividend Fund (Laketon) SF039 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$12,489 (\$11,686 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

Enhanced Dividend Fund (Laketton) SF039

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

D. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 1,248,890	\$ —	\$ —	\$ 1,248,890	
Total assets measured at fair value	\$ 1,248,890	\$ —	\$ —	\$ 1,248,890	

	2016				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 1,168,566	\$ —	\$ —	\$ 1,168,566	
Total assets measured at fair value	\$ 1,168,566	\$ —	\$ —	\$ 1,168,566	

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Enhanced Dividend Fund (Laketton) SF039

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	1,065,846	1,219,209	1,375,402	1,564,063	1,683,322	51,944	55,209	51,763	63,289	60,549
Generations/Mosaic	8,722,452	9,850,706	11,021,030	13,093,571	14,558,661	413,747	434,163	403,708	515,688	509,696
Generations I	4,905,323	5,774,224	5,920,466	6,376,549	6,023,196	95,580	104,563	89,125	103,231	86,698
Generations II	1,325,451	1,540,874	1,573,249	1,734,657	1,235,247	22,386	24,301	20,723	24,689	15,706
Generations Core	2,720,005	2,980,190	2,974,232	3,297,024	2,458,129	48,363	49,219	40,812	48,627	32,216
Group	1,360,020	1,660,134	1,708,149	1,959,087	2,086,994	—	—	—	—	—
75/75 guarantee policy	2,449,009	1,940,415	2,007,672	1,897,554	1,265,244	50,115	36,884	31,708	32,213	19,088
75/100 guarantee policy	8,876,910	7,595,149	8,665,167	8,091,780	5,412,594	180,733	143,719	136,310	136,897	81,420
100/100 guarantee policy	1,362,739	1,411,831	2,289,209	2,459,126	1,644,337	26,684	25,814	34,959	40,578	24,239
PS1 75/75 guarantee policy	1,156,388	835,314	114,345	74,334	58,937	20,414	13,639	1,545	1,075	754
PS1 75/100 guarantee policy	7,199,505	5,220,880	1,596,145	1,043,424	541,506	125,598	84,427	21,401	15,007	6,906
PS1 100/100 guarantee policy	1,054,514	1,217,823	5,583	—	—	18,023	19,357	74	—	—
PS2 75/75 guarantee policy	698,780	584,374	509,948	466,767	389,103	13,931	10,548	7,454	7,147	5,160
PS2 75/100 guarantee policy	1,831,211	1,688,472	1,424,615	1,296,468	1,636,785	36,503	30,472	20,821	19,850	21,704
PS2 100/100 guarantee policy	49,490	25,625	25,730	60,830	8,640	986	462	376	931	115

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	48.74	45.28	37.64	40.46	35.97	3.46	7.64
Generations/Mosaic	47.43	44.07	36.63	39.38	35.01	3.36	7.44
Generations I	19.48	18.11	15.05	16.19	14.39	1.37	3.06
Generations II	16.89	15.77	13.17	14.23	12.71	1.12	2.60
Generations Core	17.78	16.52	13.72	14.75	13.11	1.26	2.80
Group	—	—	—	—	—	—	—
75/75 guarantee policy	20.46	19.01	15.79	16.98	15.09	1.45	3.22
75/100 guarantee policy	20.36	18.92	15.73	16.92	15.04	1.44	3.19
100/100 guarantee policy	19.58	18.28	15.27	16.50	14.74	1.30	3.01
PS1 75/75 guarantee policy	17.65	16.33	13.51	14.46	12.79	1.32	2.82
PS1 75/100 guarantee policy	17.45	16.17	13.41	14.38	12.75	1.28	2.76
PS1 100/100 guarantee policy	17.09	15.90	13.22	—	—	1.19	2.68
PS2 75/75 guarantee policy	19.94	18.05	14.62	15.31	13.26	1.89	3.43
PS2 75/100 guarantee policy	19.93	18.05	14.62	15.31	13.26	1.88	3.43
PS2 100/100 guarantee policy	19.93	18.04	14.61	15.30	13.25	1.89	3.43

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Enhanced Dividend Fund (Laketton) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Enhanced Dividend Fund (Laketon) SF039

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Enhanced Dividend Fund (Laketon) SF039

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.61	2.60	2.60	2.61	2.61
Generations/Mosaic	2.61	2.60	2.60	2.61	2.61
Generations I	2.63	2.62	2.62	2.63	2.64
Generations II	3.11	3.09	3.09	3.11	3.11
Generations Core	2.58	2.56	2.57	2.58	2.58
75/75 guarantee policy	2.58	2.57	2.57	2.58	2.59
75/100 guarantee policy	2.63	2.62	2.63	2.64	2.65
100/100 guarantee policy	3.11	3.10	3.09	3.10	3.12
PS1 75/75 guarantee policy	2.14	2.15	2.14	2.15	2.18
PS1 75/100 guarantee policy	2.36	2.37	2.36	2.37	2.39
PS1 100/100 guarantee policy	2.70	2.70	2.69	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	6.31	4.56	4.70	11.11	5.52

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (LEITH WHEELER) SF195

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (Leith Wheeler) SF195

We have audited the accompanying financial statements of Canadian Equity Fund (Leith Wheeler) SF195, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (Leith Wheeler) SF195 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (Leith Wheeler) SF195

(in Canadian \$ thousands)

Fund Manager: Leith Wheeler Investment Counsel Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	17	6
Due from brokers	4	39
Due from outside parties	2	2
Investments		
Investment fund units (note 3)	<u>9,397</u>	16,614
Total investments	<u>9,397</u>	16,614
Total assets	<u>\$ 9,420</u>	<u>\$ 16,661</u>
Liabilities		
Overdrafts	\$ 70	\$ 49
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>70</u>	<u>49</u>
Net assets attributable to contractholders	<u>\$ 9,350</u>	<u>\$ 16,612</u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,345	\$ 4,224	—
Miscellaneous income (loss)	—	—	—
Total income	<u>1,345</u>	<u>4,224</u>	<u>—</u>
Expenses			
Management fees (note 8)	73	78	—
Other	8	9	—
Total expenses	<u>81</u>	<u>87</u>	<u>—</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 1,264</u>	<u>\$ 4,137</u>	<u>—</u>

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 16,612	\$ 17,186	—
Contractholder deposits	192	1,129	—
Contractholder withdrawals	(8,718)	(5,840)	—
Increase (decrease) in net assets from operations attributable to contractholders	<u>1,264</u>	<u>4,137</u>	<u>—</u>
Change in net assets attributable to contractholders	<u>(7,262)</u>	<u>(574)</u>	<u>—</u>
Net assets attributable to contractholders - end of year	<u>\$ 9,350</u>	<u>\$ 16,612</u>	<u>—</u>

Canadian Equity Fund (Leith Wheeler) SF195

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,264	\$ 4,137
Adjustments		
Realized (gains) losses	(1,884)	(308)
Unrealized (gains) losses	843	(3,178)
Gross proceeds of disposition of investments	8,868	6,044
Gross payments for the purchase of investments	(532)	(1,307)
Change in distribution income of underlying mutual fund	(78)	(738)
Change in due from/to The Canada Life Assurance Company	(11)	(7)
Change in due from/to brokers	35	27
Change in due from/to outside parties	—	1
	8,505	4,671
Financing Activities		
Contractholder deposits	192	1,129
Contractholder withdrawals	(8,718)	(5,840)
	(8,526)	(4,711)
Net increase (decrease) in cash, short-term deposits and overdrafts	(21)	(40)
Cash, short-term deposits and overdrafts, beginning of year	(49)	(9)
Cash, short-term deposits and overdrafts, end of year	\$ (70)	\$ (49)

Canadian Equity Fund (Leith Wheeler) SF195

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Leith Wheeler Canadian Equity Fund Series B	189,507	7,156	9,397
Total Investments		7,156	9,397

Canadian Equity Fund (Leith Wheeler) SF195

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	103,014	236,667	307,529	336,685	321,428	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Canadian Equity Fund (Leith Wheeler) SF195

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (Leith Wheeler) SF195 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (Leith Wheeler) SF195

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Canadian Equity Fund (Leith Wheeler) SF195

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Canadian Equity Fund (Leith Wheeler) SF195
Notes to the Financial Statements
(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Canadian Equity Fund (Leith Wheeler) SF195

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (LEITH WHEELER) SF196

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (Leith Wheeler) SF196

We have audited the accompanying financial statements of Balanced Fund (Leith Wheeler) SF196, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (Leith Wheeler) SF196 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (Leith Wheeler) SF196

(in Canadian \$ thousands)

Fund Manager: Leith Wheeler Investment Counsel Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	97
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	10,573	14,177
Total investments	10,573	14,177
Total assets	\$ 10,573	\$ 14,274
Liabilities		
Overdrafts	\$ 20	\$ 97
Due to The Canada Life Assurance Company (note 8)	—	1
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	20	98
Net assets attributable to contractholders	\$ 10,553	\$ 14,176

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,120	\$ 1,595
Miscellaneous income (loss)	—	—
Total income	1,120	1,595
Expenses		
Management fees (note 8)	153	149
Other	11	13
Total expenses	164	162
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 956	\$ 1,433

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 14,176	\$ 14,402	
Contractholder deposits	706	408
Contractholder withdrawals	(5,285)	(2,067)
Increase (decrease) in net assets from operations attributable to contractholders	956	1,433
Change in net assets attributable to contractholders	(3,623)	(226)
Net assets attributable to contractholders - end of year	\$ 10,553	\$ 14,176

Balanced Fund (Leith Wheeler) SF196

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 956	\$ 1,433
Adjustments		
Realized (gains) losses	(739)	(190)
Unrealized (gains) losses	(12)	(520)
Gross proceeds of disposition of investments	5,309	1,997
Gross payments for the purchase of investments	(743)	(296)
Change in distribution income of underlying mutual fund	(211)	(885)
Change in due from/to The Canada Life Assurance Company	(1)	84
Change in due from/to brokers	97	(74)
	4,656	1,549
Financing Activities		
Contractholder deposits	706	408
Contractholder withdrawals	(5,285)	(2,067)
	(4,579)	(1,659)
Net increase (decrease) in cash, short-term deposits and overdrafts	77	(110)
Cash, short-term deposits and overdrafts, beginning of year	(97)	13
Cash, short-term deposits and overdrafts, end of year	\$ (20)	\$ (97)

Balanced Fund (Leith Wheeler) SF196

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Leith Wheeler Balanced Fund Series B	401,752	8,900	10,573
Total Investments		8,900	10,573

Balanced Fund (Leith Wheeler) SF196

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	357,652	535,910	600,182	558,207	522,698	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (Leith Wheeler) SF196 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

Balanced Fund (Leith Wheeler) SF196

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
U.S. VALUE FUND S-178LL

December 31, 2017



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Independent Auditor's Report

To the Contractholders of U.S. Value Fund S-178LL

We have audited the accompanying financial statements of U.S. Value Fund S-178LL, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U.S. Value Fund S-178LL as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

U.S. Value Fund S-178LL

(in Canadian \$ thousands)

Fund Manager: London Capital Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 1,756	\$ 1,249
Investment income due and accrued	141	134
Due from The Canada Life Assurance Company (note 7)	11	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	110,450	109,374
Investment fund units	—	—
Total investments	110,450	109,374
Total assets	\$ 112,358	\$ 110,757
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	406
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	406
Net assets attributable to contractholders	\$ 112,358	\$ 110,351

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 5,348	\$ 9,132	9,132
Miscellaneous income (loss)	(92)	233	233
Total income	5,256	9,365	9,365
Expenses			
Management fees (note 7)	1,001	1,115	1,115
Transaction costs	117	262	262
Withholding taxes	413	445	445
Other	97	102	102
Total expenses	1,628	1,924	1,924
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 3,628	\$ 7,441	7,441

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 110,351	\$ 116,404	116,404
Contractholder withdrawals	(13,320)	5,471	5,471
Increase (decrease) in net assets from operations attributable to contractholders	(14,941)	(18,965)	(18,965)
Change in net assets attributable to contractholders	3,628	7,441	7,441
Net assets attributable to contractholders - end of year	\$ 112,358	\$ 110,351	110,351

U.S. Value Fund S-178LL

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 3,628	\$ 7,441
Adjustments		
Realized (gains) losses	(9,201)	(22,193)
Unrealized (gains) losses	6,822	16,105
Gross proceeds of disposition of investments	101,575	170,977
Gross payments for the purchase of investments	(100,272)	(164,140)
Change in investment income due and accrued	(7)	34
Change in due from/to The Canada Life Assurance Company	(417)	468
	<hr/> 2,128	<hr/> 8,692
Financing Activities		
Contractholder deposits	13,320	5,471
Contractholder withdrawals	<hr/> (14,941)	<hr/> (18,965)
	<hr/> (1,621)	<hr/> (13,494)
Net increase (decrease) in cash, short-term deposits and overdrafts	507	(4,802)
Cash, short-term deposits and overdrafts, beginning of year	1,249	6,051
Cash, short-term deposits and overdrafts, end of year	\$ 1,756	\$ 1,249
Supplementary cash flow information		
Dividends received	\$ 2,976	\$ 3,094

U.S. Value Fund S-178LL

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
United States Common Stock			
Consumer Discretionary			
General Motors Co.	43,333	1,976	2,235
Omnicom Group Inc.	19,980	1,990	1,831
PulteGroup Inc.	44,453	1,362	1,860
The Goodyear Tire & Rubber Co.	32,989	1,435	1,341
Consumer Staples			
CVS Health Corp.	15,143	1,644	1,382
J.M. Smucker Co.	9,796	1,642	1,532
Kimberly-Clark Corp.	8,788	1,336	1,334
PepsiCo Inc.	9,076	1,297	1,370
Tyson Foods Inc. Class A	12,864	1,373	1,312
Walgreens Boots Alliance Inc.	15,755	1,784	1,440
Wal-Mart Stores Inc.	10,885	1,099	1,353
Energy			
Andeavor Logistics LP	10,146	1,440	1,460
Chevron Corp.	15,355	1,848	2,419
Exxon Mobil Corp.	22,219	2,471	2,339
Marathon Petroleum Corp.	21,646	1,589	1,797
Occidental Petroleum Corp.	15,082	1,348	1,398
Valero Energy Corp.	22,024	1,920	2,547
Financials			
Affiliated Managers Group Inc.	5,359	1,131	1,384
Aflac Inc.	21,165	2,317	2,338
Assurant Inc.	10,619	1,173	1,348
Bank of America Corp.	65,537	1,349	2,435
Capital One Financial Corp.	19,995	2,265	2,506
Citigroup Inc.	24,551	1,529	2,299
Comerica Inc.	17,866	1,615	1,952
JPMorgan Chase & Co.	17,627	1,160	2,372
Morgan Stanley	35,686	1,616	2,356
People's United Financial Inc.	92,743	2,036	2,183
Prudential Financial Inc.	16,070	1,762	2,325
The Bank of New York Mellon Corp.	28,963	1,894	1,963
U.S. Bancorp	23,563	1,364	1,589
Wells Fargo & Co.	28,582	1,976	2,182

U.S. Value Fund S-178LL

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
United States Common Stock (continued)			
Health Care			
Amgen Inc.	5,978	1,412	1,308
Express Scripts Holding Co.	18,724	1,799	1,759
HCA Healthcare Inc.	12,603	1,382	1,393
Johnson & Johnson Inc.	8,794	928	1,546
Merck & Co. Inc.	32,904	2,395	2,330
Pfizer Inc.	50,442	1,777	2,299
Industrials			
Caterpillar Inc.	7,562	1,328	1,500
Delta Air Lines Inc.	20,348	1,377	1,434
Dover Corp.	11,186	954	1,422
The Boeing Co.	3,899	1,004	1,447
Information Technology			
Cisco Systems Inc.	44,605	1,627	2,150
IBM Corp.	11,984	2,426	2,314
Intel Corp.	32,488	1,412	1,887
Micron Technology Inc.	30,919	1,602	1,600
Xerox Corp.	55,672	2,163	2,042
Materials			
Eastman Chemical Co.	19,835	2,270	2,313
Owens-Illinois Inc.	43,964	1,139	1,227
Telecommunication Services			
AT&T Inc.	35,733	1,433	1,748
CenturyLink Inc.	74,126	2,209	1,556
Verizon Communications Inc.	35,971	2,297	2,396
Utilities			
Duke Energy Corp.	14,561	1,570	1,541
Exelon Corp.	39,680	1,759	1,968
FirstEnergy Corp.	54,067	2,220	2,083
Public Service Enterprise Group Inc.	28,670	1,576	1,858
SCANA Corp.	29,590	2,295	1,481
Total United States Common Stock		93,095	102,784

U.S. Value Fund S-178LL
Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or <u>Par Value</u>	Average <u>Cost</u>	Fair <u>Value</u>
Global Common Stock			
Bermuda			
XL Group Ltd.	27,951	1,384	1,237
Ireland			
Eaton Corp. PLC	21,297	1,869	2,119
Panama			
Carnival Corp.	22,574	1,962	1,887
United Kingdom			
LyondellBasell Industries NV Class A	17,442	2,218	2,423
Total Global Common Stock	7,433		7,666
Total Stocks	100,528		110,450
Transaction Costs (see notes to financial statements)		(75)	
Total Investments	100,453		110,450

U.S. Value Fund S-178LL

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the U.S. Value Fund S-178LL (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts			Total*	Impact on Net Assets Attributable to Contractholders	
		\$	\$	\$		\$	\$
United States Dollar	\$ 110,450	\$ 1,270	\$ 111,720	\$ 1,117			
Total	\$ 110,450	\$ 1,270	\$ 111,720	\$ 1,117			
As Percent of Net Assets Attributable to Contractholders					99.4%	1.0%	

*includes both monetary and non-monetary instruments

U.S. Value Fund S-178LL
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*		Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 109,374	\$ 1,087	\$ 110,461	\$ 1,105	
Total	\$ 109,374	\$ 1,087	\$ 110,461	\$ 1,105	
As Percent of Net Assets Attributable to Contractholders					100.1% 1.0%

*includes both monetary and non-monetary instruments

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$1,105 (\$1,094 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 110,450	\$ —	\$ —	\$ 110,450
Total assets measured at fair value	\$ 110,450	\$ —	\$ —	\$ 110,450

	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Stocks	\$ 109,374	\$ —	\$ —	\$ 109,374
Total assets measured at fair value	\$ 109,374	\$ —	\$ —	\$ 109,374

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

U.S. Value Fund S-178LL

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	714,636	891,124	1,299,000	1,492,546	1,723,127	8,894	10,978	15,262	16,303	4,740
Generations I	161,717	223,328	300,199	291,051	155,343	2,680	3,656	4,676	4,206	1,927
Generations II	123,285	152,676	170,267	92,415	107,579	1,969	2,415	2,570	1,298	1,300
Generations Core	270,947	291,622	579,222	443,105	185,095	4,527	4,804	9,067	6,424	2,300
Group	151,389	247,805	272,611	311,705	235,483	—	—	—	—	—
75/75 guarantee policy	137,979	145,024	219,385	176,013	81,561	3,131	3,245	4,664	3,466	1,377
75/100 guarantee policy	302,691	331,134	446,474	380,968	241,385	6,779	7,325	9,399	7,440	4,047
100/100 guarantee policy	93,469	93,586	150,573	254,302	171,188	2,047	2,030	3,116	4,896	2,837
PS1 75/75 guarantee policy	77,094	64,694	9,459	6,507	7,399	1,590	1,309	181	115	111
PS1 75/100 guarantee policy	144,668	136,128	16,260	—	—	2,934	2,716	308	—	—
PS1 100/100 guarantee policy	25,644	38,781	—	—	—	509	760	—	—	—
PS2 75/75 guarantee policy	13,136	16,115	13,766	9,382	2,726	308	362	286	176	43
PS2 75/100 guarantee policy	14,892	22,318	23,282	34,594	18,878	349	502	484	648	295

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	12.45	12.32	11.75	10.92	9.40	0.13	0.57
Generations I	16.57	16.37	15.58	14.45	12.41	0.20	0.79
Generations II	15.97	15.82	15.09	14.04	12.09	0.15	0.73
Generations Core	16.71	16.48	15.65	14.50	12.43	0.23	0.83
Group	—	—	—	—	—	—	—
75/75 guarantee policy	22.69	22.38	21.26	19.69	16.88	0.31	1.12
75/100 guarantee policy	22.40	22.12	21.05	19.53	16.77	0.28	1.07
100/100 guarantee policy	21.90	21.69	20.70	19.25	16.57	0.21	0.99
PS1 75/75 guarantee policy	20.63	20.24	19.13	17.63	15.04	0.39	1.11
PS1 75/100 guarantee policy	20.28	19.95	18.91	—	—	0.33	1.04
PS1 100/100 guarantee policy	19.85	19.61	—	—	—	0.24	2.19
PS2 75/75 guarantee policy	23.42	22.47	20.77	18.72	15.61	0.95	1.70
PS2 75/100 guarantee policy	23.43	22.48	20.78	18.73	15.62	0.95	1.70

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

U.S. Value Fund S-178LL
Notes to the Financial Statements
(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

U.S. Value Fund S-178LL

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.16	3.14	3.12	3.12	3.16
Generations I	2.94	2.92	2.90	2.89	2.94
Generations II	3.21	3.18	3.18	3.17	3.22
Generations Core	2.77	2.76	2.74	2.73	2.79
75/75 guarantee policy	2.77	2.75	2.74	2.73	2.79
75/100 guarantee policy	2.93	2.92	2.90	2.89	2.95
100/100 guarantee policy	3.21	3.19	3.17	3.17	3.22
PS1 75/75 guarantee policy	2.25	2.24	2.23	2.27	2.30
PS1 75/100 guarantee policy	2.53	2.51	2.50	—	—
PS1 100/100 guarantee policy	2.93	2.90	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	91.06	148.09	11.78	17.75	37.71

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND S-285LL

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund S-285LL

We have audited the accompanying financial statements of Canadian Equity Fund S-285LL, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund S-285LL as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund S-285LL

(in Canadian \$ thousands)

Fund Manager: London Capital Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 783	\$ 371
Investment income due and accrued	56	62
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	17
Due from outside parties	—	—
Investments		
Bonds	—	—
Stocks	29,600	27,102
Investment fund units	—	—
Total investments	29,600	27,102
Total assets	\$ 30,439	\$ 27,552
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	31	3
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	31	3
Net assets attributable to contractholders	\$ 30,408	\$ 27,549

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 2,606	\$ 4,169	4,169
Miscellaneous income (loss)	6	4	4
Total income		2,612	4,173
Expenses			
Management fees (note 7)	135	133	133
Transaction costs	19	14	14
Withholding taxes	—	—	—
Other	13	13	13
Total expenses		167	160
Net increase (decrease) in net assets from operations attributable to contractholders			\$ 2,445
			\$ 4,013

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Net assets attributable to contractholders - beginning of year	\$ 27,549	\$ 24,435	24,435
Contractholder deposits	2,972	2,048	2,048
Contractholder withdrawals	(2,558)	(2,947)	(2,947)
Increase (decrease) in net assets from operations attributable to contractholders	2,445	4,013	4,013
Change in net assets attributable to contractholders	2,859	3,114	3,114
Net assets attributable to contractholders - end of year	\$ 30,408	\$ 27,549	27,549

Canadian Equity Fund S-285LL

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,445	\$ 4,013
Adjustments		
Realized (gains) losses	(609)	(369)
Unrealized (gains) losses	(1,247)	(3,071)
Gross proceeds of disposition of investments	8,375	7,409
Gross payments for the purchase of investments	(9,017)	(7,725)
Change in investment income due and accrued	6	(12)
Change in due from/to The Canada Life Assurance Company	28	15
Change in due from/to brokers	17	(17)
	<u>(2)</u>	<u>243</u>
Financing Activities		
Contractholder deposits	2,972	2,048
Contractholder withdrawals	(2,558)	(2,947)
	<u>414</u>	<u>(899)</u>
Net increase (decrease) in cash, short-term deposits and overdrafts	412	(656)
Cash, short-term deposits and overdrafts, beginning of year	371	1,027
Cash, short-term deposits and overdrafts, end of year	\$ 783	\$ 371
Supplementary cash flow information		
Dividends received	\$ 752	\$ 716

Canadian Equity Fund S-285LL

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Common Stock			
Consumer Discretionary			
Cineplex Inc.	6,313	265	236
Dollarama Inc.	3,251	220	511
Magna International Inc.	1,904	110	136
Restaurant Brands International Inc.	6,984	458	540
Shaw Communications Inc. Class B non-voting	16,171	463	464
Consumer Staples			
Alimentation Couche-Tard Inc. Class B Sub. voting	10,201	310	669
Loblaw Companies Ltd.	5,993	374	409
Saputo Inc.	9,794	440	442
Energy			
Canadian Natural Resources Ltd.	24,120	938	1,083
Enbridge Inc.	22,352	1,210	1,099
EnCana Corp.	17,904	271	300
Pembina Pipeline Corp.	10,381	401	472
PrairieSky Royalty Ltd.	11,098	348	356
Suncor Energy Inc.	29,465	1,139	1,360
Tourmaline Oil Corp.	13,711	483	312
TransCanada Corp.	10,908	622	667
Financials			
Bank of Montreal	12,148	1,019	1,222
Brookfield Asset Management Inc.	18,403	489	1,007
Industrial Alliance Insurance & Financial Services Inc.	6,171	343	369
Intact Financial Corp.	4,843	374	508
Manulife Financial Corp.	42,582	876	1,117
Onex Corp. Sub. voting	4,349	320	401
Royal Bank of Canada	18,470	1,230	1,896
Sun Life Financial Inc.	12,285	513	637
The Bank of Nova Scotia	20,607	1,334	1,672
The Toronto-Dominion Bank	30,968	1,339	2,281
Thomson Reuters Corp.	7,855	415	430
Industrials			
Canadian National Railway Co.	13,134	882	1,361
Canadian Pacific Railway Ltd.	3,828	819	879

Canadian Equity Fund S-285LL

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Common Stock (continued)			
Industrials (continued)			
New Flyer Industries Inc.	4,967	256	268
Waste Connections Inc.	6,467	462	577
WSP Global Inc.	5,434	241	326
Information Technology			
CGI Group Inc. Class A Sub. voting	8,278	328	565
Open Text Corp.	10,889	307	487
Materials			
Agrium Inc.	3,447	392	498
B2Gold Corporation	79,581	305	309
CCL Industries Inc. Class B non-voting	7,936	387	461
Franco-Nevada Corp.	5,449	460	547
Goldcorp Inc.	20,734	478	332
HudBay Minerals Inc.	17,525	174	195
Teck Resources Ltd. Class B	13,367	404	439
Real Estate Investment Trust			
Canadian Apartment Properties REIT	8,086	227	302
Chartwell Seniors Housing REIT	12,148	179	198
Telecommunication Services			
TELUS Corp.	16,538	672	788
Utilities			
Fortis Inc.	10,226	449	472
Total Canadian Common Stock	23,726		29,600
Total Stocks	23,726		29,600
Transaction Costs (see notes to financial statements)	(22)		
Total Investments	23,704		29,600

Canadian Equity Fund S-285LL

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Canadian Equity Fund S-285LL (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017						
Currency	Investments	Cash, Short-term Deposits and Overdrafts			Total*	Impact on Net Assets Attributable to Contractholders
		\$	—	\$		
United States Dollar	\$	—	\$	4	\$ 4	—
Total	\$	—	\$	4	\$ 4	—
As Percent of Net Assets Attributable to Contractholders						—%

*includes both monetary and non-monetary instruments

The Fund had no significant exposure to foreign currency as at December 31, 2016.

Canadian Equity Fund S-285LL
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$296 (\$271 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

<u>Assets measured at fair value</u>	2017				<u>Assets Measured at Fair Value</u>
	Level 1	Level 2	Level 3	Total	
Stocks	\$ 29,600	\$ —	\$ —	\$ 29,600	
Total assets measured at fair value	\$ 29,600	\$ —	\$ —	\$ 29,600	

<u>Assets measured at fair value</u>	2016				<u>Assets Measured at Fair Value</u>
	Level 1	Level 2	Level 3	Total	
Stocks	\$ 27,102	\$ —	\$ —	\$ 27,102	
Total assets measured at fair value	\$ 27,102	\$ —	\$ —	\$ 27,102	

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Canadian Equity Fund S-285LL

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	50,245	69,918	84,253	96,578	104,228	829	1,088	1,155	1,402	1,406
Generations/Mosaic	66,821	77,849	95,421	109,052	139,398	1,113	1,223	1,321	1,599	1,899
Generations I	40,466	43,426	63,175	87,730	90,905	561	567	727	1,068	1,028
Generations II	8,843	11,532	9,332	9,164	7,579	99	122	88	91	70
Generations Core	8,594	9,242	9,059	8,926	10,591	101	102	88	92	101
Group	49,709	53,616	58,929	51,698	48,890	—	—	—	—	—
75/75 guarantee policy	8,802	6,358	6,497	3,886	3,345	126	86	77	49	39
75/100 guarantee policy	45,000	53,695	95,112	111,608	100,607	639	718	1,121	1,392	1,165
100/100 guarantee policy	6,450	8,865	11,012	12,030	9,350	89	116	127	147	107
PS1 75/75 guarantee policy	5,861	—	—	—	—	91	—	—	—	—
PS1 75/100 guarantee policy	50,896	38,017	3,302	3,592	3,883	781	547	42	48	48
PS1 100/100 guarantee policy	8,301	6,885	—	—	—	125	97	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	16.50	15.56	13.71	14.52	13.49	0.94	1.85
Generations/Mosaic	16.66	15.71	13.85	14.66	13.62	0.95	1.86
Generations I	13.86	13.06	11.51	12.18	11.31	0.80	1.55
Generations II	11.22	10.61	9.38	9.96	9.28	0.61	1.23
Generations Core	11.75	11.06	9.73	10.29	9.55	0.69	1.33
Group	—	—	—	—	—	—	—
75/75 guarantee policy	14.32	13.49	11.87	12.55	11.64	0.83	1.62
75/100 guarantee policy	14.19	13.38	11.78	12.47	11.58	0.81	1.60
100/100 guarantee policy	13.81	13.06	11.54	12.25	11.42	0.75	1.52
PS1 75/75 guarantee policy	15.51	—	—	—	—	0.77	—
PS1 75/100 guarantee policy	15.34	14.40	12.62	13.30	12.29	0.94	1.78
PS1 100/100 guarantee policy	15.04	14.15	—	—	—	0.89	0.40

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund S-285LL
Notes to the Financial Statements
(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Canadian Equity Fund S-285LL

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.94	2.93	2.93	2.94	2.94
Generations/Mosaic	2.94	2.93	2.93	2.94	2.94
Generations I	2.88	2.88	2.87	2.88	2.89
Generations II	3.22	3.19	3.21	3.21	3.22
Generations Core	2.77	2.76	2.76	2.77	2.77
75/75 guarantee policy	2.76	2.76	2.77	2.77	2.79
75/100 guarantee policy	2.88	2.89	2.87	2.88	2.89
100/100 guarantee policy	3.22	3.21	3.20	3.21	3.23
PS1 75/100 guarantee policy	2.41	2.42	2.42	2.42	2.44
PS1 100/100 guarantee policy	2.75	2.75	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	29.61	29.16	46.79	70.91	59.00

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of

THE CANADA LIFE ASSURANCE COMPANY

GLOBAL INFRASTRUCTURE EQUITY FUND (LONDON CAPITAL) SF515

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Global Infrastructure Equity Fund (London Capital) SF515

We have audited the accompanying financial statements of Global Infrastructure Equity Fund (London Capital) SF515, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Infrastructure Equity Fund (London Capital) SF515 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Global Infrastructure Equity Fund (London Capital) SF515

(in Canadian \$ thousands)

Fund Manager: London Capital Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 1,776	\$ 527
Investment income due and accrued	100	86
Due from The Canada Life Assurance Company (note 7)	—	24
Due from brokers	—	—
Due from outside parties	2	2
Investments		
Bonds	—	—
Stocks	53,597	46,120
Investment fund units	—	—
Total investments	53,597	46,120
Total assets	\$ 55,475	\$ 46,759
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	21	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	21	—
Net assets attributable to contractholders	\$ 55,454	\$ 46,759

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 6,827	\$ 2,750	—
Miscellaneous income (loss)	(50)	(104)	—
Total income	6,777	2,646	—
Expenses			
Management fees (note 7)	331	246	—
Transaction costs	134	115	—
Withholding taxes	209	183	—
Other	22	16	—
Total expenses	696	560	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 6,081	\$ 2,086	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 46,759	\$ 39,143	—
Contractholder deposits	13,006	10,840	—
Contractholder withdrawals	(10,392)	(5,310)	—
Increase (decrease) in net assets from operations attributable to contractholders	6,081	2,086	—
Change in net assets attributable to contractholders	8,695	7,616	—
Net assets attributable to contractholders - end of year	\$ 55,454	\$ 46,759	—

Global Infrastructure Equity Fund (London Capital) SF515

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 6,081	\$ 2,086
Adjustments		
Realized (gains) losses	(3,590)	(649)
Unrealized (gains) losses	(1,327)	(449)
Gross proceeds of disposition of investments	45,770	35,765
Gross payments for the purchase of investments	(48,330)	(42,249)
Change in investment income due and accrued	(14)	7
Change in due from/to The Canada Life Assurance Company	45	(40)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(1,365)	(5,529)
Financing Activities		
Contractholder deposits	13,006	10,840
Contractholder withdrawals	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(10,392)	(5,310)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	2,614	5,530
Net increase (decrease) in cash, short-term deposits and overdrafts	1,249	1
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	527	526
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 3px double black;"/> \$ 1,776	<hr style="border-top: 3px double black;"/> \$ 527
Supplementary cash flow information		
Dividends received	\$ 1,891	\$ 1,725

Global Infrastructure Equity Fund (London Capital) SF515

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Common Stock			
Energy			
Enbridge Inc.	34,169	1,839	1,680
Enbridge Income Fund Holdings Inc.	16,123	519	481
Inter Pipeline Ltd.	14,557	400	379
Pembina Pipeline Corp.	1,230	52	56
TransCanada Corp.	16,473	961	1,008
Industrials			
Westshore Terminals Investment Corp.	17,003	417	447
Utilities			
Atlantic Power Corp.	9,022	27	27
Polaris Infrastructure Inc.	1,857	17	32
Valener Inc.	2,432	52	55
Total Canadian Common Stock		4,284	4,165
United States Common Stock			
Energy			
Kinder Morgan Inc.	33,066	955	752
ONEOK Inc.	17,160	1,162	1,154
Overseas Shipholding Group Inc.	88,478	489	305
The Williams Companies Inc.	8,743	346	335
Industrials			
Macquarie Infrastructure Corp.	8,177	768	661
Utilities			
American Electric Power Co. Inc.	2,597	235	240
CenterPoint Energy Inc.	18,384	699	656
Consolidated Edison Inc.	8,240	851	881
Dominion Energy Inc.	6,029	563	615
DTE Energy Co.	117	15	16
Duke Energy Corp.	20,179	2,062	2,136
Entergy Corp.	6,372	667	653
Exelon Corp.	31,667	1,238	1,571
FirstEnergy Corp.	24,901	1,028	960
Great Plains Energy Inc.	15,265	618	619

Global Infrastructure Equity Fund (London Capital) SF515

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
United States Common Stock (continued)			
Utilities (continued)			
NextEra Energy Inc.	5,852	769	1,150
NRG Yield Inc. Class A	3,133	71	74
PPL Corp.	27,177	1,319	1,059
Public Service Enterprise Group Inc.	6,664	401	432
Sempra Energy	482	72	65
Southern Co.	30,483	1,860	1,845
Spark Energy Inc.	25,064	459	391
The AES Corp.	51,572	799	703
Vistra Energy Corp.	7,407	175	171
Total United States Common Stock	17,621		17,444
Global Common Stock			
Australia			
Macquarie Atlas Roads Group	76,937	365	474
Sydney Airport Authority	63,093	440	435
Transurban Group Rights	14,375	-	14
Transurban Group Stapled Securities	177,294	1,718	2,159
Austria			
Flughafen Wien AG	2,965	117	151
Bermuda			
China Water Affairs Ltd.	43,752	43	50
Cosco Pacific Ltd.	148,092	219	194
Kunlun Energy Co. Ltd.	366,952	395	481
Shenzhen International Holdings Ltd.	397,426	866	952
Sinopec Kantons Holdings Ltd.	249,882	201	203
Teekay Tankers Ltd.	29,360	75	52
Yuexiu Transport Infrastructure Ltd.	26,469	27	24
Brazil			
Companhia de Saneamento Basico do Estado de Sao Paulo	38,977	508	513
Ultrapar Participacoes SA	9,351	260	267
China			
Beijing Capital International Airport Co. Ltd.	586,041	1,139	1,109

Global Infrastructure Equity Fund (London Capital) SF515

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Global Common Stock (continued)			
China (continued)			
Jiangsu Expressway Co. Ltd.	573,061	1,016	1,098
Qingdao Port International Co. Ltd.	179,355	136	151
Shenzhen Expressway Co. Ltd.	637,550	748	814
Zhejiang Expressway Co. Ltd.	671,367	1,016	929
France			
Aeroports de Paris	1,801	372	431
Engie SA	1,258	28	27
Groupe Eurotunnel SA	36,515	520	591
Germany			
E.ON SE	65,910	923	899
Fraport AG	2,713	347	376
RWE AG	21,006	633	539
Hong Kong			
China Merchants Holdings International Co. Ltd.	276,498	1,013	911
China Resources Power Holdings Co. Ltd.	282,181	658	661
Italy			
A2A SPA	297,509	689	692
ACEA SPA	12,771	242	297
Ansaldo STS SPA	24,241	282	439
ASTM SPA	11,542	209	422
Atlantia SPA	51,101	1,842	2,028
Enav SPA	73,801	409	502
Enel SPA	218,308	1,283	1,689
IREN SPA	180,742	602	682
SIAS SPA	41,837	582	979
Snam SPA	182,980	1,085	1,127
Japan			
The Sumitomo Warehouse Co. Ltd.	19,476	164	177
Marshall Islands			
International Seaways Inc.	22,530	571	523

Global Infrastructure Equity Fund (London Capital) SF515

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Mexico			
Grupo Aeroportuario del Centro Norte	32,380	220	211
OHL Mexico SAB de CV	321,023	531	671
New Zealand			
Auckland International Airport Ltd.	10,100	50	58
Singapore			
China Aviation Oil Singapore Corp. Ltd.	315,593	451	481
Spain			
Abertis Infraestructuras SA	109,044	2,279	3,053
Aena SM	7,780	1,350	1,982
Iberdrola SA	50,804	469	495
Switzerland			
Flughafen Zuerich AG	547	144	157
United Kingdom			
BBA Aviation PLC	69,807	367	415
National Grid Transco PLC	27,085	485	403
Total Global Common Stock	28,089	31,988	
Total Stocks	49,994	53,597	
Transaction Costs (see notes to financial statements)	(79)		
Total Investments	49,915	53,597	

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Global Infrastructure Equity Fund (London Capital) SF515 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts		Total*	Impact on Net Assets Attributable to Contractholders	
United States Dollar	\$ 18,825	\$ 278	\$ 19,103	\$ 191		
Euro	17,401	—	17,401	174		
Hong Kong Dollar	7,578	—	7,578	76		
Australian Dollar	3,083	—	3,083	31		
Other Currencies	2,572	40	2,612	26		
Total	\$ 49,459	\$ 318	\$ 49,777	\$ 498		
As Percent of Net Assets Attributable to Contractholders				89.8%		0.9%

*Includes both monetary and non-monetary instruments

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts		Total*	Impact on Net Assets Attributable to Contractholders	
United States Dollar	\$ 18,912	\$ 194	\$ 19,106	\$ 191		
Euro	11,612	—	11,612	116		
Hong Kong Dollar	2,861	—	2,861	29		
Australian Dollar	2,662	23	2,685	27		
Other Currencies	5,556	35	5,591	56		
Total	\$ 41,603	\$ 252	\$ 41,855	\$ 419		
As Percent of Net Assets Attributable to Contractholders				89.5%		0.9%

*Includes both monetary and non-monetary instruments

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$536 (\$461 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

Global Infrastructure Equity Fund (London Capital) SF515
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 24,262	\$ 29,335	\$ —	\$ 53,597	
Total assets measured at fair value	\$ 24,262	\$ 29,335	\$ —	\$ 53,597	

	2016				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 24,709	\$ 21,411	\$ —	\$ 46,120	
Total assets measured at fair value	\$ 24,709	\$ 21,411	\$ —	\$ 46,120	

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for certain non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, non-North American equities are frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of December 31, 2017, these securities were classified as Level 2 (Level 2 at December 31, 2016).

Global Infrastructure Equity Fund (London Capital) SF515

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
75/75 guarantee policy	151,537	118,475	176,993	122,011	35,460	2,543	1,796	2,623	1,707	456
75/100 guarantee policy	344,164	227,708	295,938	208,852	66,503	5,692	3,409	4,341	2,897	850
100/100 guarantee policy	78,569	57,232	61,506	55,028	21,075	1,261	834	881	748	265
PS1 75/75 guarantee policy	121,292	85,436	15,486	11,778	2,148	2,118	1,340	236	169	28
PS1 75/100 guarantee policy	165,990	94,408	20,941	18,106	11,488	2,849	1,460	316	257	150
PS1 100/100 guarantee policy	34,944	31,279	—	—	—	584	473	—	—	—
PS2 75/75 guarantee policy	18,591	21,173	22,000	21,299	7,645	372	372	367	325	104
PS2 75/100 guarantee policy	41,487	75,965	23,937	15,701	5,697	831	1,334	399	240	78
PS2 100/100 guarantee policy	15,099	1,649	1,192	1,232	5,707	302	29	20	19	78

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
75/75 guarantee policy	16.78	15.16	14.82	13.99	12.86	1.62	0.34
75/100 guarantee policy	16.54	14.97	14.67	13.87	12.78	1.57	0.30
100/100 guarantee policy	16.04	14.57	14.32	13.59	12.56	1.47	0.25
PS1 75/75 guarantee policy	17.47	15.69	15.25	14.32	13.09	1.78	0.44
PS1 75/100 guarantee policy	17.16	15.47	15.08	14.20	13.03	1.69	0.39
PS1 100/100 guarantee policy	16.72	15.14	—	—	—	1.58	0.69
PS2 75/75 guarantee policy	20.03	17.57	16.67	15.27	13.63	2.46	0.90
PS2 75/100 guarantee policy	20.02	17.56	16.66	15.26	13.62	2.46	0.90
PS2 100/100 guarantee policy	20.03	17.57	16.67	15.27	13.63	2.46	0.90

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Global Infrastructure Equity Fund (London Capital) SF515

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Global Infrastructure Equity Fund (London Capital) SF515

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
75/75 guarantee policy	2.98	2.98	2.97	2.98	3.01
75/100 guarantee policy	3.19	3.19	3.19	3.20	3.25
100/100 guarantee policy	3.51	3.50	3.51	3.52	3.59
PS1 75/75 guarantee policy	2.42	2.42	2.42	2.42	2.45
PS1 75/100 guarantee policy	2.74	2.74	2.74	2.75	2.79
PS1 100/100 guarantee policy	3.18	3.17	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	90.87	83.48	91.41	35.76	46.94

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY GROWTH FUND S-102MF

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Growth Fund S-102MF

We have audited the accompanying financial statements of Canadian Equity Growth Fund S-102MF, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Growth Fund S-102MF as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Growth Fund S-102MF

(in Canadian \$ thousands)

Fund Manager: Mackenzie Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	10
Due from brokers	2	21
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>14,253</u>	13,572
Total investments	<u>14,253</u>	13,572
Total assets	<u><u>\$ 14,255</u></u>	<u><u>\$ 13,603</u></u>
Liabilities		
Overdrafts	\$ 36	\$ 21
Due to The Canada Life Assurance Company (note 8)	3	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>39</u>	21
Net assets attributable to contractholders	<u><u>\$ 14,216</u></u>	<u><u>\$ 13,582</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,641	\$ 1,474
Miscellaneous income (loss)	—	—
Total income	<u>1,641</u>	1,474
Expenses		
Management fees (note 8)	277	273
Other	30	30
Total expenses	<u>307</u>	303
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 1,334</u>	\$ 1,171

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 13,582	\$ 14,769	
Contractholder deposits	1,530	401
Contractholder withdrawals	(2,230)	(2,759)
Increase (decrease) in net assets from operations attributable to contractholders	1,334	1,171
Change in net assets attributable to contractholders	634	(1,187)
Net assets attributable to contractholders - end of year	<u>\$ 14,216</u>	<u>\$ 13,582</u>

Canadian Equity Growth Fund S-102MF

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,334	\$ 1,171
Adjustments		
Realized (gains) losses	(457)	(508)
Unrealized (gains) losses	(277)	(182)
Gross proceeds of disposition of investments	2,653	4,011
Gross payments for the purchase of investments	(1,693)	(1,448)
Change in distribution income of underlying mutual fund	(907)	(784)
Change in due from/to The Canada Life Assurance Company	13	21
Change in due from/to brokers	19	(103)
	<u>685</u>	<u>2,178</u>
Financing Activities		
Contractholder deposits	1,530	401
Contractholder withdrawals	(2,230)	(2,759)
	<u>(700)</u>	<u>(2,358)</u>
Net increase (decrease) in cash, short-term deposits and overdrafts	(15)	(180)
Cash, short-term deposits and overdrafts, beginning of year	<u>(21)</u>	<u>159</u>
Cash, short-term deposits and overdrafts, end of year	<u>\$ (36)</u>	<u>\$ (21)</u>

Canadian Equity Growth Fund S-102MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Mackenzie Canadian Large Cap Growth Fund Series S*	452,322	12,217	14,253
Total Investments		12,217	14,253

Top 25 Holdings

Security Description	% of Total
Royal Bank of Canada	3.34%
The Toronto-Dominion Bank	3.11%
The Bank of Nova Scotia	3.01%
Canadian National Railway Co.	2.93%
Dollarama Inc.	2.66%
Manulife Financial Corp.	2.45%
Alimentation Couche-Tard Inc. Class B sub. voting	2.03%
Rogers Communications Inc. Class B non-voting	1.94%
The Berkeley Group Holdings PLC	1.81%
T. Rowe Price Group Inc.	1.79%
Apple Inc.	1.78%
BCE Inc.	1.77%
Lear Corp.	1.76%
Samsung Electronics Co. Ltd.	1.71%
Constellation Software Inc.	1.56%
National Bank of Canada	1.48%
Express Scripts Holding Co.	1.47%
WPX Energy Inc.	1.37%
SM Energy Co.	1.37%
VMware Inc. Class A	1.33%
Electrocomponents PLC	1.33%
Cash and short-term deposits	1.30%
The Stars Group Inc.	1.30%
Valero Energy Corp.	1.28%
Wabash National Corp.	1.26%

*The issuer of this security is a related company to the issuer of the fund.

Canadian Equity Growth Fund S-102MF

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	198,651	222,278	290,547	314,619	373,647	4,117	4,254	5,197	5,778	6,207
Generations I	50,518	48,844	48,955	46,282	37,523	726	646	604	585	428
Generations II	9,971	16,642	24,291	32,746	39,542	126	194	265	366	400
Generations Core	21,784	20,958	26,094	25,231	26,994	286	253	293	290	279
Group	20,206	22,309	29,123	24,144	35,444	—	—	—	—	—
75/75 guarantee policy	45,241	35,819	51,133	29,089	27,794	735	535	711	414	356
75/100 guarantee policy	78,053	65,521	67,542	62,816	81,625	1,251	967	930	886	1,039
100/100 guarantee policy	47,073	54,490	69,258	55,499	36,099	740	791	940	774	455
PS1 75/75 guarantee policy	26,492	19,122	2,524	—	—	428	282	34	—	—
PS1 75/100 guarantee policy	33,165	10,573	3,493	—	—	529	154	47	—	—
PS1 100/100 guarantee policy	15,518	15,046	—	—	—	243	216	—	—	—
PS2 75/100 guarantee policy	—	—	—	—	5,121	—	—	—	—	66

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	20.72	19.14	17.89	18.37	16.61	1.58	1.25
Generations I	14.36	13.23	12.34	12.64	11.41	1.13	0.89
Generations II	12.62	11.65	10.89	11.18	10.11	0.97	0.76
Generations Core	13.11	12.06	11.23	11.48	10.35	1.05	0.83
Group	—	—	—	—	—	—	—
75/75 guarantee policy	16.25	14.94	13.91	14.23	12.82	1.31	1.03
75/100 guarantee policy	16.02	14.76	13.77	14.11	12.73	1.26	0.99
100/100 guarantee policy	15.73	14.52	13.57	13.94	12.61	1.21	0.95
PS1 75/75 guarantee policy	16.15	14.75	13.64	—	—	1.40	1.11
PS1 75/100 guarantee policy	15.96	14.60	13.53	—	—	1.36	1.07
PS1 100/100 guarantee policy	15.66	14.38	—	—	—	1.28	1.25
PS2 75/100 guarantee policy	—	—	—	—	12.90	—	—

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Growth Fund S-102MF (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Growth Fund S-102MF
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Growth Fund S-102MF
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Growth Fund S-102MF
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Growth Fund S-102MF
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Mackenzie Investments, which is a subsidiary of Mackenzie Inc. All investment transactions with the corresponding underlying funds are at quoted market prices.

Canadian Equity Growth Fund S-102MF

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Growth Fund S-102MF

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	3.54	3.54	3.53	3.53	3.53
Generations I	3.31	3.31	3.31	3.31	3.31
Generations II	3.55	3.54	3.53	3.53	3.53
Generations Core	3.15	3.15	3.14	3.14	3.15
75/75 guarantee policy	3.14	3.15	3.14	3.14	3.15
75/100 guarantee policy	3.31	3.31	3.31	3.31	3.32
100/100 guarantee policy	3.54	3.54	3.53	3.53	3.53
PS1 75/75 guarantee policy	2.43	2.43	2.44	—	—
PS1 75/100 guarantee policy	2.63	2.64	2.65	—	—
PS1 100/100 guarantee policy	2.98	2.99	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	11.89	10.26	19.54	16.73	15.95

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
U.S. GROWTH LEADERS FUND S-286MF

December 31, 2017



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Independent Auditor's Report

To the Contractholders of U.S. Growth Leaders Fund S-286MF

We have audited the accompanying financial statements of U.S. Growth Leaders Fund S-286MF, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U.S. Growth Leaders Fund S-286MF as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

U.S. Growth Leaders Fund S-286MF

(in Canadian \$ thousands)

Fund Manager: Mackenzie Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 418	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	295	—
Due from brokers	—	20
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>108,071</u>	65,885
Total investments	<u>108,071</u>	65,885
Total assets	<u><u>\$ 108,784</u></u>	<u><u>\$ 65,905</u></u>
Liabilities		
Overdrafts	\$ —	\$ 55
Due to The Canada Life Assurance Company (note 8)	—	185
Due to brokers	321	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>321</u>	<u>240</u>
Net assets attributable to contractholders	<u><u>\$ 108,463</u></u>	<u><u>\$ 65,665</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 15,989	\$ 3,337
Miscellaneous income (loss)	—	—
Total income	<u>15,989</u>	<u>3,337</u>
Expenses		
Management fees (note 8)	2,314	1,750
Other	230	162
Total expenses	<u>2,544</u>	<u>1,912</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 13,445</u></u>	<u><u>\$ 1,425</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 65,665	\$ 72,574	
Contractholder deposits	44,301	713
Contractholder withdrawals	(14,948)	(9,047)
Increase (decrease) in net assets from operations attributable to contractholders	<u>13,445</u>	<u>1,425</u>
Change in net assets attributable to contractholders	<u>42,798</u>	<u>(6,909)</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 108,463</u></u>	<u><u>\$ 65,665</u></u>

U.S. Growth Leaders Fund S-286MF

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 13,445	\$ 1,425
Adjustments		
Realized (gains) losses	(2,006)	(3,845)
Unrealized (gains) losses	(13,982)	508
Gross proceeds of disposition of investments	6,289	15,619
Gross payments for the purchase of investments	(32,487)	(5,736)
Change in due from/to The Canada Life Assurance Company	(480)	226
Change in due from/to brokers	341	(54)
	(28,880)	8,143
Financing Activities		
Contractholder deposits	44,301	713
Contractholder withdrawals	(14,948)	(9,047)
	29,353	(8,334)
Net increase (decrease) in cash, short-term deposits and overdrafts	473	(191)
Cash, short-term deposits and overdrafts, beginning of year	(55)	136
Cash, short-term deposits and overdrafts, end of year	\$ 418	\$ (55)

U.S. Growth Leaders Fund S-286MF

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Mackenzie US All Cap Growth Fund Series S*	3,825,914	74,115	108,071
Total Investments		74,115	108,071

Top 25 Holdings

Security Description	% of Total
Alphabet Inc. Class C	5.49%
Amazon.com Inc.	4.45%
Microsoft Corp.	4.43%
Visa Inc. Class A	3.72%
Apple Inc.	3.45%
Facebook Inc.	3.05%
Norfolk Southern Corp.	2.88%
Becton, Dickinson and Co.	2.76%
The Home Depot Inc.	2.73%
Bank of America Corp.	2.31%
Danaher Corp.	2.17%
UnitedHealth Group Inc.	1.93%
Heineken NV	1.87%
PayPal Holdings Inc.	1.72%
McCormick & Co. Inc. non-voting	1.66%
Alibaba Group Holding Ltd. ADR	1.60%
United Technologies Corp.	1.37%
Adobe Systems Inc.	1.35%
Salesforce.com Inc.	1.29%
Hilton Inc.	1.26%
Boston Scientific Corp.	1.26%
The Sherwin-Williams Co.	1.21%
BlackRock Inc.	1.21%
Northrop Grumman Corp.	1.20%
Live Nation Entertainment Inc.	1.18%

*The issuer of this security is a related company to the issuer of the fund.

U.S. Growth Leaders Fund S-286MF

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	282,576	303,130	323,711	291,697	304,248	3,742	3,403	3,538	2,753	2,390
Generations/Mosaic	1,655,457	1,504,727	1,980,210	1,628,211	1,043,603	22,135	17,056	21,851	15,514	8,277
Generations I	313,166	259,741	318,861	270,868	261,989	8,176	5,745	6,863	5,033	4,050
Generations II	176,749	101,859	142,396	90,094	63,143	3,762	1,845	2,524	1,387	387
Generations Core	255,594	160,403	205,308	144,813	110,000	5,775	3,070	3,823	2,327	1,471
75/75 guarantee policy	380,331	186,820	318,134	169,824	52,494	11,014	4,581	7,587	3,493	898
75/100 guarantee policy	809,693	489,188	737,603	473,560	197,465	23,344	11,946	17,521	9,706	3,367
100/100 guarantee policy	351,712	286,179	255,202	166,818	61,966	9,747	6,745	5,875	3,327	1,034
PS1 75/75 guarantee policy	204,814	154,077	8,556	2,821	2,771	5,196	3,292	177	50	41
PS1 75/100 guarantee policy	498,303	274,744	58,656	6,921	—	12,432	5,789	1,199	122	—
PS1 100/100 guarantee policy	68,288	38,867	208	—	—	1,662	802	4	—	—
PS2 75/75 guarantee policy	27,420	14,843	32,158	10,659	—	796	354	725	201	—
PS2 75/100 guarantee policy	21,841	41,726	31,060	23,023	12,775	635	997	701	435	195
PS2 100/100 guarantee policy	1,633	1,678	8,264	—	—	47	40	186	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	13.24	11.23	10.93	9.44	7.86	2.01	0.30
Generations/Mosaic	13.37	11.33	11.03	9.53	7.93	2.04	0.30
Generations I	26.11	22.12	21.52	18.58	15.46	3.99	0.60
Generations II	21.28	18.11	17.73	15.39	12.88	3.17	0.38
Generations Core	22.60	19.14	18.62	16.07	13.37	3.46	0.52
75/75 guarantee policy	28.96	24.52	23.85	20.57	17.11	4.44	0.67
75/100 guarantee policy	28.83	24.42	23.75	20.50	17.05	4.41	0.67
100/100 guarantee policy	27.71	23.57	23.02	19.94	16.68	4.14	0.55
PS1 75/75 guarantee policy	25.37	21.37	20.67	17.73	14.66	4.00	0.70
PS1 75/100 guarantee policy	24.95	21.07	20.43	17.58	—	3.88	0.64
PS1 100/100 guarantee policy	24.34	20.64	20.11	—	—	3.70	0.53
PS2 75/75 guarantee policy	29.03	23.86	22.54	18.88	—	5.17	1.32
PS2 75/100 guarantee policy	29.06	23.90	22.57	18.90	15.26	5.16	1.33
PS2 100/100 guarantee policy	29.02	23.86	22.53	—	—	5.16	1.33

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The U.S. Growth Leaders Fund S-286MF (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

U.S. Growth Leaders Fund S-286MF
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

The categories of units are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Mackenzie Investments, which is a subsidiary of Mackenzie Inc. All investment transactions with the corresponding underlying funds are at quoted market prices.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

U.S. Growth Leaders Fund S-286MF

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/ shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

U.S. Growth Leaders Fund S-286MF

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	3.08	3.05	3.03	3.08	3.10
Generations/Mosaic	3.07	3.06	3.03	3.08	3.10
Generations I	3.00	3.02	3.00	3.05	3.07
Generations II	3.44	3.60	3.58	3.63	3.66
Generations Core	2.97	3.00	2.98	3.02	3.05
75/75 guarantee policy	2.95	2.96	2.93	3.00	3.06
75/100 guarantee policy	2.98	2.98	2.95	3.03	3.07
100/100 guarantee policy	3.40	3.37	3.36	3.53	3.66
PS1 75/75 guarantee policy	2.41	2.41	2.38	2.42	2.42
PS1 75/100 guarantee policy	2.68	2.68	2.66	2.66	—
PS1 100/100 guarantee policy	3.12	3.12	3.14	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	7.22	8.71	13.88	14.17	11.04

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
GLOBAL UNCONSTRAINED FUND (MACKENZIE) SF530

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Global Unconstrained Fund (Mackenzie) SF530

We have audited the accompanying financial statements of Global Unconstrained Fund (Mackenzie) SF530, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Unconstrained Fund (Mackenzie) SF530 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Global Unconstrained Fund (Mackenzie) SF530

(in Canadian \$ thousands)

Fund Manager: Mackenzie Investments

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ 44
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	7	39
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>57,010</u>	40,600
Total investments	<u>57,010</u>	40,600
Total assets	<u>\$ 57,017</u>	\$ 40,683
Liabilities		
Overdrafts	\$ 68	\$ —
Due to The Canada Life Assurance Company (note 8)	48	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	116	—
Net assets attributable to contractholders	\$ 56,901	\$ 40,683

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 2,463	\$ 5,357	—
Miscellaneous income (loss)	—	—	—
Total income	2,463	5,357	—
Expenses			
Management fees (note 8)	128	9	—
Other	13	1	—
Total expenses	141	10	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 2,322	\$ 5,347	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 40,683	\$ 33,230	—
Contractholder deposits	21,856	6,883	—
Contractholder withdrawals	(7,960)	(4,777)	—
Increase (decrease) in net assets from operations attributable to contractholders	2,322	5,347	—
Change in net assets attributable to contractholders	16,218	7,453	—
Net assets attributable to contractholders - end of year	\$ 56,901	\$ 40,683	—

Global Unconstrained Fund (Mackenzie) SF530

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,322	\$ 5,347
Adjustments		
Realized (gains) losses	(219)	(160)
Unrealized (gains) losses	1,087	(3,684)
Gross proceeds of disposition of investments	4,350	4,048
Gross payments for the purchase of investments	(18,297)	(6,122)
Change in distribution income of underlying mutual fund	(3,331)	(1,512)
Change in due from/to The Canada Life Assurance Company	48	1
Change in due from/to brokers	32	(201)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	(14,008)	(2,283)
Financing Activities		
Contractholder deposits	21,856	6,883
Contractholder withdrawals	(7,960)	(4,777)
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	13,896	2,106
Net increase (decrease) in cash, short-term deposits and overdrafts	(112)	(177)
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	44	221
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	\$ (68)	\$ 44

Global Unconstrained Fund (Mackenzie) SF530

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Mackenzie Unconstrained Fixed Income Fund Series S*	5,647,893	55,730	57,010
Total Investments		55,730	57,010

Top 25 Holdings

Security Description	% of Total
Cash and short-term deposits	19.38%
Government of Canada 1.00% 06-01-2027	5.49%
United States Treasury 0.89% 02-15-2047	1.96%
International Finance Corp. 6.30% 11-25-2024	1.22%
Arch Merger Sub Inc. 8.50% 09-15-2025 Restricted Callable 2020	1.10%
Queensland Treasury Corp. 2.75% 08-20-2027	1.02%
United Kingdom Treasury 4.25% 12-07-2027	1.01%
Bell Canada 2.70% 02-27-2024 Callable	0.90%
Canadian Imperial Bank of Commerce Floating Rate 3.00% 10-28-2024	0.87%
Gibson Energy Inc. 5.25% 07-15-2024 Callable 2020	0.86%
Province of Ontario 2.80% 06-02-2048	0.85%
Uber Technologies Inc. Term Loan B 1st Lien Floating Rate 07-13-2023	0.82%
Camelot Finance SA 7.88% 10-15-2024 Restricted Callable 2019	0.80%
Numericable-SFR 6.00% 05-15-2022 Restricted Callable	0.75%
Frontier Communications Corp. 9.25% 07-01-2021	0.75%
Superior Plus LP 5.25% 02-27-2024 Callable 2020	0.72%
Fairfax Financial Holdings Ltd. 4.50% 03-22-2023	0.70%
Bank of Montreal 3.32% 06-01-2026	0.69%
Commonwealth of Bahamas 6.00% 11-21-2028 Callable 2028	0.68%
Government of Ireland 1.00% 05-15-2026	0.66%
Treasury Corp. of Victoria 3.00% 10-20-2028	0.64%
AltaGas Ltd. Preferred Share Series K	0.62%
Province of Ontario 2.90% 12-02-2046	0.61%
Commonwealth of Bahamas 5.75% 01-16-2024	0.60%
Antero Resources Corp. 5.00% 03-01-2025	0.60%

*The issuer of this security is a related company to the issuer of the fund.

Global Unconstrained Fund (Mackenzie) SF530

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
75/75 guarantee policy	87,049	5,574	2,836	—	—	970	60	27	—	—
75/100 guarantee policy	481,837	28,313	1,885	—	—	5,358	306	18	—	—
100/100 guarantee policy	115,704	21,006	6,166	—	—	1,282	227	59	—	—
PS1 75/75 guarantee policy	92,403	1,753	—	—	—	1,043	19	—	—	—
PS1 75/100 guarantee policy	393,131	9,700	10,246	—	—	4,428	106	99	—	—
PS1 100/100 guarantee policy	2,286	—	—	—	—	26	—	—	—	—
PS2 75/75 guarantee policy	9,234	9,154	—	—	—	108	102	—	—	—
PS2 75/100 guarantee policy	6,887	—	—	—	—	81	—	—	—	—
PS2 100/100 guarantee policy	15,354	—	—	—	—	180	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
75/75 guarantee policy	11.15	10.82	9.61	—	—	0.33	1.21
75/100 guarantee policy	11.12	10.81	9.60	—	—	0.31	1.21
100/100 guarantee policy	11.08	10.79	9.60	—	—	0.29	1.19
PS1 75/75 guarantee policy	11.29	10.90	—	—	—	0.39	0.96
PS1 75/100 guarantee policy	11.26	10.88	9.62	—	—	0.38	1.26
PS1 100/100 guarantee policy	11.22	—	—	—	—	0.10	—
PS2 75/75 guarantee policy	11.72	11.12	—	—	—	0.60	1.10
PS2 75/100 guarantee policy	11.72	—	—	—	—	0.36	—
PS2 100/100 guarantee policy	11.72	—	—	—	—	0.33	—

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Global Unconstrained Fund (Mackenzie) SF530 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Mackenzie Investments, which is a subsidiary of Mackenzie Inc. All investment transactions with the corresponding underlying funds are at quoted market prices.

Global Unconstrained Fund (Mackenzie) SF530

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Global Unconstrained Fund (Mackenzie) SF530

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
75/75 guarantee policy	2.27	2.29	2.29	—	—
75/100 guarantee policy	2.40	2.40	2.40	—	—
100/100 guarantee policy	2.55	2.56	2.56	—	—
PS1 75/75 guarantee policy	1.70	1.69	—	—	—
PS1 75/100 guarantee policy	1.81	1.81	1.83	—	—
PS1 100/100 guarantee policy	1.97	—	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	8.68	10.82	—	—	—

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (MCLEAN BUDDEN) SF108

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (McLean Budden) SF108

We have audited the accompanying financial statements of Canadian Equity Fund (McLean Budden) SF108, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (McLean Budden) SF108 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (McLean Budden) SF108

(in Canadian \$ thousands)

Fund Manager: MFS Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	5
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>2,565</u>	3,490
Total investments	<u>2,565</u>	3,490
Total assets	<u><u>\$ 2,565</u></u>	<u><u>\$ 3,495</u></u>
Liabilities		
Overdrafts	\$ 3	\$ 5
Due to The Canada Life Assurance Company (note 8)	1	58
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>4</u>	<u>63</u>
Net assets attributable to contractholders	<u><u>\$ 2,561</u></u>	<u><u>\$ 3,432</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 274	\$ 522
Miscellaneous income (loss)	—	—
Total income	<u>274</u>	<u>522</u>
Expenses		
Management fees (note 8)	19	19
Other	2	2
Total expenses	<u>21</u>	<u>21</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 253</u>	<u>\$ 501</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 3,432	\$ 3,701	\$ 3,701
Contractholder deposits	144	78
Contractholder withdrawals	(1,268)	(848)
Increase (decrease) in net assets from operations attributable to contractholders	<u>253</u>	<u>501</u>
Change in net assets attributable to contractholders	<u>(871)</u>	<u>(269)</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 2,561</u></u>	<u><u>\$ 3,432</u></u>

Canadian Equity Fund (McLean Budden) SF108

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 253	\$ 501
Adjustments		
Realized (gains) losses	(48)	43
Unrealized (gains) losses	(111)	(428)
Gross proceeds of disposition of investments	1,381	899
Gross payments for the purchase of investments	(182)	(358)
Change in distribution income of underlying mutual fund	(115)	(137)
Change in due from/to The Canada Life Assurance Company	(57)	169
Change in due from/to brokers	5	5
	<hr/> 1,126	<hr/> 694
Financing Activities		
Contractholder deposits	144	78
Contractholder withdrawals	<hr/> (1,268)	<hr/> (848)
	<hr/> (1,124)	<hr/> (770)
Net increase (decrease) in cash, short-term deposits and overdrafts	2	(76)
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (5)	<hr/> 71
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ (3)	<hr/> <hr/> \$ (5)

Canadian Equity Fund (McLean Budden) SF108

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
MFS Canadian Equity Fund	31,413	2,391	2,565
Total Investments		2,391	2,565

Top 25 Holdings

Security Description	% of Total
Royal Bank of Canada	8.04%
The Toronto-Dominion Bank	7.76%
Suncor Energy Inc.	5.37%
The Bank of Nova Scotia	5.26%
Enbridge Inc.	5.05%
Canadian National Railway Co.	5.03%
Manulife Financial Corp.	3.96%
TransCanada Corp.	3.82%
Canadian Pacific Railway Ltd.	3.75%
Canadian Natural Resources Ltd.	3.71%
Bank of Montreal	3.00%
CGI Group Inc.	2.59%
Agrium Inc.	2.42%
TELUS Corp.	2.32%
Alimentation Couche-Tard Inc.	2.23%
Thomson Reuters Corp.	2.14%
Waste Connections Inc.	2.10%
Constellation Software Inc.	1.90%
Agnico Eagle Mines Ltd.	1.90%
Franco-Nevada Corp.	1.84%
Quebecor Inc.	1.68%
Loblaw Companies Ltd.	1.56%
Dollarama Inc.	1.51%
CCL Industries Inc.	1.45%
Intact Financial Corp.	1.39%

Canadian Equity Fund (McLean Budden) SF108

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	130,589	158,861	194,876	92,677	98,794	—	—	—	—	—
Prestige/Prestige Plus	7,886	9,219	9,709	9,821	10,401	190	210	198	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	24.11	22.77	20.41	21.89	19.78	1.34	2.36

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (McLean Budden) SF108 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (McLean Budden) SF108

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (McLean Budden) SF108

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.37	3.35	3.34	3.36	3.37

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	5.69	9.85	10.71	6.21	22.77

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
FIXED INCOME FUND (MCLEAN BUDDEN) SF109

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Fixed Income Fund (McLean Budden) SF109

We have audited the accompanying financial statements of Fixed Income Fund (McLean Budden) SF109, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fixed Income Fund (McLean Budden) SF109 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Fixed Income Fund (McLean Budden) SF109

(in Canadian \$ thousands)

Fund Manager: MFS Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	2,582
Due from brokers	—	27
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>1,445</u>	41,309
Total investments	<u>1,445</u>	41,309
Total assets	<u><u>\$ 1,445</u></u>	<u><u>\$ 43,918</u></u>
Liabilities		
Overdrafts	\$ 3	\$ 36
Due to The Canada Life Assurance Company (note 8)	8	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>11</u>	36
Net assets attributable to contractholders	<u><u>\$ 1,434</u></u>	<u><u>\$ 43,882</u></u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 931	\$ 1,057	—
Miscellaneous income (loss)	—	—	—
Total income	<u>931</u>	1,057	—
Expenses			
Management fees (note 8)	31	44	—
Other	4	5	—
Total expenses	<u>35</u>	49	—
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 896</u></u>	<u><u>\$ 1,008</u></u>	<u><u>—</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 43,882	\$ 43,882	\$ 41,292	—
Contractholder deposits	3,529	5,289	—
Contractholder withdrawals	(46,873)	(3,707)	—
Increase (decrease) in net assets from operations attributable to contractholders	896	1,008	—
Change in net assets attributable to contractholders	(42,448)	2,590	—
Net assets attributable to contractholders - end of year	<u><u>\$ 1,434</u></u>	<u><u>\$ 43,882</u></u>	<u><u>—</u></u>

Fixed Income Fund (McLean Budden) SF109

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 896	\$ 1,008
Adjustments		
Realized (gains) losses	1,485	40
Unrealized (gains) losses	(1,394)	499
Gross proceeds of disposition of investments	47,053	3,987
Gross payments for the purchase of investments	(6,259)	(2,992)
Change in distribution income of underlying mutual fund	(1,021)	(1,597)
Change in due from/to The Canada Life Assurance Company	2,590	(2,536)
Change in due from/to brokers	27	27
	43,377	(1,564)
Financing Activities		
Contractholder deposits	3,529	5,289
Contractholder withdrawals	(46,873)	(3,707)
	(43,344)	1,582
Net increase (decrease) in cash, short-term deposits and overdrafts	33	18
Cash, short-term deposits and overdrafts, beginning of year	(36)	(54)
Cash, short-term deposits and overdrafts, end of year	\$ (3)	\$ (36)

Fixed Income Fund (McLean Budden) SF109

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
MFS Canadian Fixed Income Fund	26,307	1,481	1,445
Total Investments		1,481	1,445

Top 25 Holdings

Security Description	% of Total
Canada Housing Trust No. 1 2.350% 09-15-2023 Restricted	6.59%
Government of Canada 0.50% 03-01-2022	5.06%
Government of Canada 0.75% 09-01-2020	3.79%
Government of Canada 1.50% 06-01-2026	3.00%
Province of Ontario 4.70% 06-01-2037	2.89%
Province of Alberta 2.35% 06-01-2025	2.69%
Government of Canada 2.75% 12-01-2048	2.50%
Province of Quebec 4.50% 12-01-2019	2.44%
Province of Ontario 3.15% 06-02-2022	2.29%
Province of New Brunswick 3.65% 06-03-2024	2.09%
Province of Ontario 3.50% 06-02-2043	1.99%
Province of Alberta 2.90% 09-20-2029	1.76%
Government of Canada 1.00% 06-01-2027	1.71%
Province of Manitoba 4.05% 09-05-2045	1.68%
Province of Quebec 3.50% 12-01-2022	1.59%
Province of Ontario 3.45% 06-02-2045	1.53%
Province of British Columbia 4.70% 06-18-2037	1.49%
Province of Ontario 4.00% 06-02-2021	1.47%
Province of Quebec 5.00% 12-01-2038	1.45%
Province of Ontario 3.50% 06-02-2024	1.21%
Government of Canada 5.75% 06-01-2033	1.21%
Wells Fargo & Co. 3.874% 05-21-2025	1.21%
Province of Ontario 2.60% 06-02-2025	1.20%
Citigroup Inc. 4.09% 06-09-2025	1.12%
Province of British Columbia 3.20% 06-18-2044	1.12%

Fixed Income Fund (McLean Budden) SF109

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	76,249	1,500,067	1,455,209	1,482,014	1,477,607	—	—	—	—	—
Prestige/Prestige Plus	348	348	348	348	348	6	6	6	6	6

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	16.90	16.98	17.11	17.17	16.24	(0.08)	(0.13)

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fixed Income Fund (McLean Budden) SF109 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Fixed Income Fund (McLean Budden) SF109

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Fixed Income Fund (McLean Budden) SF109

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.33	3.31	3.30	3.46	3.44

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	17.89	7.09	10.19	6.67	12.87

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (MCLEAN BUDDEN) SF110

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (McLean Budden) SF110

We have audited the accompanying financial statements of Balanced Fund (McLean Budden) SF110, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (McLean Budden) SF110 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (McLean Budden) SF110

(in Canadian \$ thousands)

Fund Manager: MFS Investment Management

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	3	40
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	9,801	13,338
Total investments	9,801	13,338
Total assets	\$ 9,804	\$ 13,378
 Liabilities		
Overdrafts	\$ 15	\$ 41
Due to The Canada Life Assurance Company (note 8)	2	2
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	17	43
Net assets attributable to contractholders	\$ 9,787	\$ 13,335

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,316	\$ 811	—
Miscellaneous income (loss)	—	—	—
Total income	1,316	811	—
Expenses			
Management fees (note 8)	200	209	—
Other	11	21	—
Total expenses	211	230	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,105	\$ 581	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 13,335	\$ 13,335	\$ 14,066	—
Contractholder deposits	632	65	—
Contractholder withdrawals	(5,285)	(1,377)	—
Increase (decrease) in net assets from operations attributable to contractholders	1,105	581	—
Change in net assets attributable to contractholders	(3,548)	(731)	—
Net assets attributable to contractholders - end of year	\$ 9,787	\$ 13,335	—

Balanced Fund (McLean Budden) SF110

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,105	\$ 581
Adjustments		
Realized (gains) losses	57	70
Unrealized (gains) losses	(465)	69
Gross proceeds of disposition of investments	5,466	1,721
Gross payments for the purchase of investments	(613)	(504)
Change in distribution income of underlying mutual fund	(908)	(949)
Change in due from/to The Canada Life Assurance Company	—	208
Change in due from/to brokers	37	(26)
	4,679	1,170
Financing Activities		
Contractholder deposits	632	65
Contractholder withdrawals	(5,285)	(1,377)
	(4,653)	(1,312)
Net increase (decrease) in cash, short-term deposits and overdrafts	26	(142)
Cash, short-term deposits and overdrafts, beginning of year	(41)	101
Cash, short-term deposits and overdrafts, end of year	\$ (15)	\$ (41)

Balanced Fund (McLean Budden) SF110

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
MFS Balanced Growth Fund	769,944	9,547	9,801
Total Investments		9,547	9,801

Balanced Fund (McLean Budden) SF110

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	441,996	601,354	661,496	502,076	781,686	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (McLean Budden) SF110 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (McLean Budden) SF110
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (McLean Budden) SF110
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (McLean Budden) SF110
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

Balanced Fund (McLean Budden) SF110

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of

THE CANADA LIFE ASSURANCE COMPANY

CANADIAN SMALL CAP EQUITY FUND (MONTRUSCO BOLTON) SF204

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

We have audited the accompanying financial statements of Canadian Small Cap Equity Fund (Montrusco Bolton) SF204, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Small Cap Equity Fund (Montrusco Bolton) SF204 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

(in Canadian \$ thousands)

Fund Manager: Montrusco Bolton Investments Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 34	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	427
Due from brokers	—	17
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>2,181</u>	5,173
Total investments	<u>2,181</u>	5,173
Total assets	<u><u>\$ 2,215</u></u>	<u><u>\$ 5,617</u></u>
Liabilities		
Overdrafts	\$ —	\$ 28
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>—</u>	<u>28</u>
Net assets attributable to contractholders	<u><u>\$ 2,215</u></u>	<u><u>\$ 5,589</u></u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 240	\$ 1,038	—
Miscellaneous income (loss)	—	—	—
Total income			
	<u>240</u>	1,038	—
Expenses			
Management fees (note 8)	27	27	—
Other	3	3	—
Total expenses			
	<u>30</u>	30	—
Net increase (decrease) in net assets from operations attributable to contractholders			
	<u><u>\$ 210</u></u>	<u><u>\$ 1,008</u></u>	<u><u>—</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 5,589	\$ 4,103	—
Contractholder deposits	105	982	—
Contractholder withdrawals	(3,689)	(504)	—
Increase (decrease) in net assets from operations attributable to contractholders	210	1,008	—
Change in net assets attributable to contractholders	(3,374)	1,486	—
Net assets attributable to contractholders - end of year			
	<u><u>\$ 2,215</u></u>	<u><u>\$ 5,589</u></u>	<u><u>—</u></u>

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 210	\$ 1,008
Adjustments		
Realized (gains) losses	(249)	5
Unrealized (gains) losses	100	(938)
Gross proceeds of disposition of investments	3,785	693
Gross payments for the purchase of investments	(553)	(730)
Change in distribution income of underlying mutual fund	(91)	(105)
Change in due from/to The Canada Life Assurance Company	427	(429)
Change in due from/to brokers	17	14
	<hr/> 3,646	<hr/> (482)
Financing Activities		
Contractholder deposits	105	982
Contractholder withdrawals	<hr/> (3,689)	<hr/> (504)
	<hr/> (3,584)	<hr/> 478
Net increase (decrease) in cash, short-term deposits and overdrafts	62	(4)
Cash, short-term deposits and overdrafts, beginning of year	(28)	(24)
Cash, short-term deposits and overdrafts, end of year	\$ 34	\$ (28)

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Montrusco Bolton Canadian Small Cap Equity Fund Pooled	86,475	1,990	2,181
Total Investments		1,990	2,181

Top 25 Holdings

Security Description	% of Total
Parex Resources Inc.	5.65%
Lassonde Industries Inc. Class A sub. voting	5.46%
New Flyer Industries Inc.	5.14%
Boyd Group Income Fund Trust	4.63%
People Corp.	4.35%
Fortuna Silver Mines Inc.	4.10%
Premium Brands Holdings Corp.	3.95%
Andrew Peller Ltd. Class A	3.82%
Altus Group Ltd.	3.60%
Descartes Systems Group Inc.	3.03%
FirstService Corp.	2.95%
Kinaxis Inc.	2.91%
Sleep Country Canada Holdings Inc.	2.89%
Savaria Corp.	2.73%
Richelieu Hardware Ltd.	2.68%
Equitable Group Inc.	2.37%
Solum Capital Inc.	2.14%
Alamos Gold Inc. Class A	2.02%
Advantage Oil & Gas Ltd.	1.98%
Alimentation Couche-Tard Inc. Class B sub. voting	1.97%
Torc Oil & Gas Ltd.	1.96%
Laurentian Bank of Canada	1.82%
Chesswood Group Ltd.	1.78%
Bonterra Energy Corp.	1.62%
Osisko Gold Royalties Ltd.	1.62%

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	33,133	93,615	80,666	109,025	107,844	—	—	—	—	—
Prestige/Prestige Plus	2,599	2,829	2,514	3,056	2,959	98	102	75	107	106

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	37.64	36.21	29.75	34.89	35.89	1.43	6.46

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Small Cap Equity Fund (Montrusco Bolton) SF204 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Small Cap Equity Fund (Montrusco Bolton) SF204

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.46	3.45	3.43	3.43	3.43

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	12.77	14.64	10.30	28.82	15.80

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
FIXED INCOME FUND (LAKETON) SF019

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Fixed Income Fund (Laketon) SF019

We have audited the accompanying financial statements of Fixed Income Fund (Laketon) SF019, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fixed Income Fund (Laketon) SF019 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Fixed Income Fund (Laketon) SF019

(in Canadian \$ thousands)

Fund Manager: Portico Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 11,100	\$ 13,853
Investment income due and accrued	2,609	2,562
Due from The Canada Life Assurance Company (note 7)	—	873
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	532,266	524,665
Stocks	—	—
Investment fund units	—	—
Total investments	532,266	524,665
Total assets	\$ 545,975	\$ 541,953
Liabilities		
Overdrafts	\$ 57	\$ —
Due to The Canada Life Assurance Company (note 7)	63	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	120	—
Net assets attributable to contractholders	\$ 545,855	\$ 541,953

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 14,980	\$ 10,607	—
Miscellaneous income (loss)	102	76	—
Total income	15,082	10,683	—
Expenses			
Management fees (note 7)	2,287	2,640	—
Transaction costs	—	—	—
Withholding taxes	—	—	—
Other	223	259	—
Total expenses	2,510	2,899	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 12,572	\$ 7,784	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 541,953	\$ 512,587	—
Contractholder withdrawals	(67,665)	(54,862)	—
Increase (decrease) in net assets from operations attributable to contractholders	12,572	7,784	—
Change in net assets attributable to contractholders	3,902	29,366	—
Net assets attributable to contractholders - end of year	\$ 545,855	\$ 541,953	—

Fixed Income Fund (Laketon) SF019

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 12,572	\$ 7,784
Adjustments		
Realized (gains) losses	2,272	272
Unrealized (gains) losses	(977)	5,261
Gross proceeds of disposition of investments	157,262	131,009
Gross payments for the purchase of investments	(166,158)	(165,162)
Change in investment income due and accrued	(47)	103
Change in due from/to The Canada Life Assurance Company	936	(725)
Change in due from/to brokers	—	(248)
	5,860	(21,706)
Financing Activities		
Contractholder deposits	58,995	76,444
Contractholder withdrawals	(67,665)	(54,862)
	(8,670)	21,582
Net increase (decrease) in cash, short-term deposits and overdrafts	(2,810)	(124)
Cash, short-term deposits and overdrafts, beginning of year	13,853	13,977
Cash, short-term deposits and overdrafts, end of year	\$ 11,043	\$ 13,853
Supplementary cash flow information		
Interest received	\$ 16,183	\$ 16,203

Fixed Income Fund (Laketon) SF019

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds			
Federal Government			
Canada Housing Trust 1.75% 06-15-2022	4,360,000	4,309	4,296
Canada Housing Trust 2.35% 06-15-2027	5,715,000	5,895	5,695
Canada Housing Trust 2.40% 12-15-2022	11,984,000	12,204	12,133
Canada Housing Trust No. 1 1.25% 12-15-2020	19,171,000	19,176	18,811
Canada Housing Trust No. 1 1.75% 06-15-2018	11,675,000	11,888	11,701
Canada Housing Trust No. 1 1.95% 06-15-2019	6,746,000	6,893	6,771
Canada Housing Trust No. 1 2.55% 03-15-2025	2,860,000	3,008	2,907
Canada Housing Trust No. 1 2.65% 03-15-2022	19,438,000	20,652	19,888
Canada Housing Trust No. 1 2.90% 06-15-2024	7,622,000	8,205	7,914
Government of Canada 1.50% 06-01-2026	13,783,000	13,918	13,227
Government of Canada 2.75% 12-01-2048	5,316,000	6,020	5,888
Government of Canada 3.50% 12-01-2045	1,538,000	2,020	1,923
Government of Canada 4.00% 06-01-2041	3,647,000	4,672	4,783
Muskrat Falls 3.86% 12-01-2048	5,905,000	6,032	7,051
Muskrat Falls/Labrador Transmissions Assets Funding 3.83% 06-01-2037	3,468,000	3,539	3,961
 Total Federal Government		128,431	126,949
 Provincial Governments			
Province of Alberta 3.30% 12-01-2046	3,930,000	3,976	4,150
Province of Alberta 3.40% 12-01-2023	4,626,000	5,011	4,885
Province of British Columbia 2.85% 06-18-2025	8,298,000	8,637	8,524
Province of British Columbia 3.20% 06-18-2044	9,299,000	9,035	9,850
Province of British Columbia 3.30% 12-18-2023	3,426,000	3,608	3,613
Province of British Columbia 4.95% 06-18-2040	2,539,000	3,358	3,415
Province of Ontario 1.35% 03-08-2022	5,694,000	5,523	5,510
Province of Ontario 2.40% 06-02-2026	7,957,000	8,352	7,859
Province of Ontario 2.60% 06-02-2025	9,831,000	10,172	9,895
Province of Ontario 2.80% 06-02-2048	7,299,000	6,915	7,104
Province of Ontario 4.65% 06-02-2041	8,786,000	10,585	11,323
Province of Ontario 4.70% 06-02-2037	11,225,000	12,771	14,227
Province of Quebec 2.75% 09-01-2025	9,948,000	10,366	10,122
Province of Quebec 3.50% 12-01-2048	5,026,000	5,348	5,622
Province of Quebec 4.25% 12-01-2043	16,856,000	19,210	20,868
 Total Provincial Governments		122,867	126,967

Fixed Income Fund (Laketon) SF019

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Municipal Governments			
City of Montreal 3.50% 09-01-2023	6,463,000	6,545	6,810
City of Toronto 2.40% 06-07-2027	2,869,000	2,861	2,775
City of Toronto 3.40% 05-21-2024	2,560,000	2,736	2,681
City of Toronto 5.20% 06-01-2040	6,522,000	6,925	8,630
Total Municipal Governments		19,067	20,896
Corporate - Non Convertible			
407 International Inc. 2.47% 09-08-2022	834,000	834	829
407 International Inc. 4.30% 05-26-2021 Callable	5,274,000	5,796	5,598
407 International Inc. 4.99% 06-16-2020 Callable	3,850,000	4,139	4,109
Altalink LP 3.668% 11-06-2023	2,225,000	2,439	2,363
Bank of Montreal 2.70% 12-09-2026	1,671,000	1,671	1,653
Bank of Montreal 3.32% 06-01-2026	3,013,000	3,062	3,065
Bank of Montreal 4.61% 09-10-2025 Callable	1,756,000	2,051	1,976
Bell Canada 3.35% 03-22-2023	4,944,000	4,875	5,064
Bell Canada 3.60% 09-29-2027	2,174,000	2,168	2,199
Brookfield Infrastructure Partners 3.315% 02-22-2024	571,000	578	569
Bruce Power LP 3.969% 06-23-2026	1,086,000	1,086	1,138
Canadian Imperial Bank of Commerce 2.30% 07-11-2022	2,315,000	2,315	2,294
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable	3,029,000	3,031	3,057
Canadian Natural Resources Ltd. 3.42% 12-01-2026	1,736,000	1,736	1,707
CU Inc. 3.805% 09-10-2042	2,122,000	2,124	2,235
CU Inc. 4.085% 09-02-2044	706,000	771	778
Dollarama Inc. 2.203% 11-10-2022	188,000	188	183
Dollarama Inc. 2.337% 07-22-2021	2,972,000	3,031	2,949
Eagle Credit Card Trust 2.849% 10-17-2018	3,558,000	3,709	3,586
Enbridge Gas Distribution 3.51% 11-29-2047	2,486,000	2,486	2,490
Enbridge Inc. 4.24% 08-27-2042	4,258,000	4,246	4,085
Enbridge Inc. 4.77% 09-02-2019 Callable	4,467,000	4,932	4,643
Enbridge Inc. 5.375% 09-27-2077	2,454,000	2,454	2,446
First Cap Realty Inc. 3.753% 07-12-2027	868,000	868	860
Ford Credit Canada Ltd. 2.58% 05-10-2021	1,598,000	1,599	1,586
FortisAlberta Inc. 3.672% 09-09-2047	788,000	789	812
Gibson Energy Inc. 5.25% 07-15-2024 Series REGS	1,322,000	1,322	1,335
Gibson Energy Inc. 5.25% 07-15-2024 Series OCT	597,000	597	601
Glacier Credit Canada Trust 2.568% 09-20-2019	5,661,000	5,843	5,691

Fixed Income Fund (Laketton) SF019

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Greater Toronto Airports Authority 1.51% 02-16-2021	2,165,000	2,168	2,124
Greater Toronto Airports Authority 3.04% 09-21-2022	3,116,000	3,130	3,213
Greater Toronto Airports Authority 5.63% 06-07-2040 Callable	3,659,000	4,660	5,119
Greater Toronto Airports Authority 5.96% 11-20-2019 Callable	4,562,000	5,588	4,877
HSBC Bank Canada 2.17% 06-29-2022	1,642,000	1,623	1,613
Husky Energy Inc. 3.60% 03-10-2027	1,085,000	1,083	1,082
Hydro One Inc. 3.20% 01-13-2022	5,826,000	5,962	6,012
Hydro One Inc. 3.72% 11-18-2047	1,841,000	1,841	1,908
Inter Pipeline Ltd. 3.448% 07-20-2020	4,526,000	4,526	4,633
Inter Pipeline Ltd. 3.484% 12-16-2026	2,133,000	2,146	2,127
Laurentian Bank of Canada 3.278% 10-15-2018	1,322,000	1,339	1,334
Laurentian Bank of Canada 4.25% 06-22-2027	2,355,000	2,369	2,371
Loblaw Companies Ltd. 3.748% 03-12-2019	4,086,000	4,183	4,167
Loblaw Companies Ltd. 4.86% 03-12-2023 Callable	2,674,000	2,674	2,932
Loblaw Companies Ltd. 6.85% 03-01-2032 Callable	3,098,000	3,710	4,033
Manufacturers Life Insurance Co. 2.64% 01-15-2025	3,751,000	3,766	3,772
Manufacturers Life Insurance Co. 2.93% 11-29-2023 Callable	3,968,000	3,983	4,003
Manulife Finance (Delaware) LP 5.059% 12-15-2041	2,555,000	2,582	2,892
Manulife Financial Corp. 3.049% 08-20-2029	1,471,000	1,471	1,460
National Bank of Canada 1.957% 06-30-2022	1,753,000	1,740	1,711
North West Redwater Partnership 2.80% 06-01-2027	1,037,000	1,034	1,004
North West Redwater Partnership 3.20% 04-24-2026	1,750,000	1,825	1,765
Ontario Power Generation 3.315% 10-04-2027	1,048,000	1,048	1,066
Parkland Fuel Corp. 5.625% 05-09-2025	1,443,000	1,443	1,461
Parkland Fuel Corp. 5.75% 09-16-2024 Callable	722,000	734	739
Pembina Pipeline Corp. 2.99% 01-22-2024	677,000	672	667
Royal Bank of Canada 1.583% 09-13-2021	2,700,000	2,700	2,619
Royal Bank of Canada 2.00% 03-21-2022	4,511,000	4,510	4,425
Royal Bank of Canada 2.26% 03-12-2018	7,652,000	7,759	7,664
Royal Bank of Canada 2.33% 12-05-2023	4,897,000	4,897	4,815
Royal Bank of Canada 2.99% 12-06-2024	9,458,000	9,518	9,582
Royal Bank of Canada 3.04% 07-17-2024 Callable	4,659,000	4,661	4,703
Royal Bank of Canada 4.93% 07-16-2025	1,994,000	2,393	2,282
Saputo Inc. 1.939% 06-13-2022	2,577,000	2,577	2,500
Saputo Inc. 2.827% 11-21-2023	1,046,000	1,046	1,044
Shaw Communications Inc. 6.75% 11-09-2039	2,010,000	2,302	2,593
Sun Life Financial Inc. 2.75% 11-23-2027	2,109,000	2,108	2,097

Fixed Income Fund (Laketon) SF019

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Sun Life Financial Inc. 5.70% 07-02-2019 Callable	3,327,000	3,648	3,500
Suncor Energy Inc. 3.10% 11-26-2021	6,077,000	6,157	6,205
Suncor Energy Inc. 5.39% 03-26-2037 Callable	4,653,000	4,897	5,536
Superior Plus LP 5.25% 02-27-2024	2,115,000	2,146	2,159
TELUS Corp. 4.85% 04-05-2044	2,507,000	2,513	2,672
TELUS Corp. 5.05% 12-04-2019	4,517,000	5,023	4,758
Teranet Holdings LP 4.807% 12-16-2020	1,131,000	1,229	1,184
The Bank of Nova Scotia 2.242% 03-22-2018	3,454,000	3,536	3,460
The Bank of Nova Scotia 2.29% 06-28-2024	1,346,000	1,346	1,313
The Toronto-Dominion Bank 2.045% 03-08-2021	5,207,000	5,321	5,163
The Toronto-Dominion Bank 2.171% 04-02-2018	4,449,000	4,449	4,457
The Toronto-Dominion Bank 2.621% 12-22-2021	6,375,000	6,699	6,424
The Toronto-Dominion Bank 2.692% 06-24-2025	8,855,000	8,852	8,879
The Toronto-Dominion Bank 3.224% 07-25-2029	1,372,000	1,372	1,372
TransCanada PipeLines Ltd. Floating Rate 05-18-2077	1,760,000	1,760	1,758
Union Gas Ltd. 3.59% 11-22-2047	1,659,000	1,656	1,683
 Total Corporate - Non Convertible		243,115	242,833
 Total Canadian Bonds		513,480	517,645
 United States Bonds			
Corporate - Non Convertible			
Apple Inc. 2.513% 08-19-2024	2,824,000	2,824	2,797
AT&T Inc. 3.825% 11-25-2020	4,473,000	4,555	4,628
Bank of America 3.407% 09-20-2025	1,260,000	1,260	1,282
McDonald's Corp. 3.125% 03-04-2025	1,923,000	1,919	1,939
Molson Coors International LP 2.25% 09-18-2018 Callable	3,966,000	3,965	3,975
 Total Corporate - Non Convertible		14,523	14,621
 Total United States Bonds		14,523	14,621
 Total Bonds		528,003	532,266
 Total Investments		528,003	532,266

Fixed Income Fund (Laketton) SF019

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Fixed Income Fund (Laketton) SF019 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 36,177	\$ 165,050	\$ 178,372	\$ 152,667		\$ 532,266

2016						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 39,555	\$ 139,914	\$ 202,379	\$ 142,817		\$ 524,665

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$38,864 (\$36,635 at December 31, 2016) or approximately 7.1% (6.8% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

Fixed Income Fund (Laketon) SF019
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

Debt securities by credit rating are as follows:

	2017		2016	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AAA	25.6	25.0	29.9	28.9
AA	11.5	11.2	16.6	16.1
A	40.7	39.7	35.5	34.4
BBB	20.1	19.6	17.8	17.2
BB and lower	2.1	2.0	0.2	0.2
Total	100.0	97.5	100.0	96.8

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Bonds	\$ —	\$ 532,266	\$ —	\$ 532,266
Total assets measured at fair value	\$ —	\$ 532,266	\$ —	\$ 532,266

	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Bonds	\$ —	\$ 524,665	\$ —	\$ 524,665
Total assets measured at fair value	\$ —	\$ 524,665	\$ —	\$ 524,665

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Fixed Income Fund (Laketon) SF019

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	66,554	79,645	85,191	98,271	116,442	11,776	14,053	15,087	17,320	19,428
Generations/Mosaic	1,834,817	2,177,875	2,461,299	2,966,258	3,592,940	32,355	38,297	43,438	52,101	59,741
Generations I	801,606	941,867	1,049,675	991,090	1,215,472	10,777	12,592	14,046	13,163	15,240
Generations II	223,778	293,780	336,074	344,938	333,633	2,847	3,719	4,261	4,343	3,967
Generations Core	281,860	423,905	435,584	429,317	501,593	3,625	5,418	5,569	5,445	6,002
Group	55,202	100,677	126,446	141,408	169,609	—	—	—	—	—
75/75 guarantee policy	356,279	419,019	445,671	395,819	410,039	4,220	4,933	5,249	4,624	4,520
75/100 guarantee policy	1,174,486	1,317,205	1,793,816	1,693,446	1,775,980	13,862	15,461	21,074	19,746	19,549
100/100 guarantee policy	108,260	135,459	427,266	511,349	542,899	1,272	1,584	5,004	5,947	5,964
PS1 75/75 guarantee policy	171,477	186,134	28,101	—	—	1,900	2,033	305	—	—
PS1 75/100 guarantee policy	829,156	721,035	273,360	191,678	92,561	9,162	7,861	2,959	2,043	924
PS1 100/100 guarantee policy	109,492	145,719	—	—	—	1,200	1,577	—	—	—
PS2 75/75 guarantee policy	53,557	108,839	123,616	174,392	140,329	641	1,268	1,410	1,930	1,434
PS2 75/100 guarantee policy	538,461	808,441	624,428	594,828	340,880	6,448	9,417	7,121	6,585	3,484
PS2 100/100 guarantee policy	14,585	12,993	5,019	3,984	—	174	151	57	44	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	177.02	176.53	177.17	176.41	167.00	0.49	(0.64)
Generations/Mosaic	17.63	17.58	17.65	17.56	16.63	0.05	(0.07)
Generations I	13.44	13.37	13.38	13.28	12.54	0.07	(0.01)
Generations II	12.72	12.66	12.68	12.59	11.89	0.06	(0.02)
Generations Core	12.86	12.78	12.79	12.68	11.97	0.08	(0.01)
Group	—	—	—	—	—	—	—
75/75 guarantee policy	11.85	11.77	11.78	11.68	11.02	0.08	(0.01)
75/100 guarantee policy	11.80	11.74	11.75	11.66	11.01	0.06	(0.01)
100/100 guarantee policy	11.75	11.69	11.71	11.63	10.99	0.06	(0.02)
PS1 75/75 guarantee policy	11.08	10.92	10.84	—	—	0.16	0.08
PS1 75/100 guarantee policy	11.05	10.90	10.83	10.66	9.99	0.15	0.07
PS1 100/100 guarantee policy	10.96	10.82	—	—	—	0.14	0.06
PS2 75/75 guarantee policy	11.98	11.65	11.40	11.07	10.22	0.33	0.25
PS2 75/100 guarantee policy	11.98	11.65	11.40	11.07	10.22	0.33	0.25
PS2 100/100 guarantee policy	11.96	11.63	11.38	11.05	—	0.33	0.25

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Fixed Income Fund (Laketon) SF019

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Fixed Income Fund (Laketon) SF019

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	2.51	2.49	2.49	2.50	2.50
Generations/Mosaic	2.51	2.49	2.49	2.50	2.50
Generations I	2.23	2.22	2.22	2.23	2.23
Generations II	2.29	2.27	2.27	2.28	2.28
Generations Core	2.18	2.16	2.16	2.17	2.17
75/75 guarantee policy	2.18	2.16	2.16	2.17	2.17
75/100 guarantee policy	2.23	2.22	2.22	2.22	2.23
100/100 guarantee policy	2.29	2.30	2.27	2.28	2.29
PS1 75/75 guarantee policy	1.38	1.38	1.38	—	—
PS1 75/100 guarantee policy	1.44	1.42	1.43	1.43	1.45
PS1 100/100 guarantee policy	1.55	1.53	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	26.29	24.88	36.69	45.59	48.09

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
MONEY MARKET FUND (LAKETON) SF029

December 31, 2017



Deloitte LLP
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Independent Auditor's Report

To the Contractholders of Money Market Fund (Laketon) SF029

We have audited the accompanying financial statements of Money Market Fund (Laketon) SF029, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Money Market Fund (Laketon) SF029 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Money Market Fund (Laketon) SF029

(in Canadian \$ thousands)

Fund Manager: Portico Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash	\$ 3,628	\$ 2,618
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	146,020	181,057
Stocks	—	—
Investment fund units	—	—
Total investments	146,020	181,057
Total assets	\$ 149,648	\$ 183,675
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	1,493	224
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	1,493	224
Net assets attributable to contractholders	\$ 148,155	\$ 183,451

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,311	\$ 1,004	24
Miscellaneous income (loss)	46	—	—
Total income	1,357	1,028	—
Expenses			
Management fees (note 7)	800	648	—
Transaction costs	—	—	—
Withholding taxes	—	—	—
Other	77	65	—
Total expenses	877	713	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 480	\$ 315	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 183,451	\$ 147,351	135,937
Contractholder withdrawals	(124,197)	(100,152)	—
Increase (decrease) in net assets from operations attributable to contractholders	480	315	—
Change in net assets attributable to contractholders	(35,296)	36,100	—
Net assets attributable to contractholders - end of year	\$ 148,155	\$ 183,451	—

Money Market Fund (Laketon) SF029

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

2017

2016

Net Inflow (Outflow) of Cash Related to the Following Activities

Operating Activities

Increase (decrease) in net assets from operations attributable to contractholders	\$ 480	\$ 315
Adjustments		
Add back amortization of premium (discount)	(1,292)	(987)
Gross proceeds of disposition of investments	421,492	309,029
Gross payments for the purchase of investments	(385,163)	(345,446)
Change in due from/to The Canada Life Assurance Company	1,269	1,376
	<u>36,786</u>	<u>(35,713)</u>

Financing Activities

Contractholder deposits	88,421	135,937
Contractholder withdrawals	(124,197)	(100,152)
	<u>(35,776)</u>	<u>35,785</u>

Net increase (decrease) in cash and overdrafts	1,010	72
Cash and overdrafts, beginning of year	<u>2,618</u>	<u>2,546</u>
Cash and overdrafts, end of year	<u>\$ 3,628</u>	<u>\$ 2,618</u>

Supplementary cash flow information

Interest received	\$ 20	\$ 17
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Money Market Fund (Laketon) SF029

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Short Term Notes			
Bank of Montreal 1.238% 01-23-2018	4,000,000	3,992	3,997
Bank of Montreal 1.247% 01-30-2018	1,000,000	998	999
Bank of Montreal 1.286% 02-21-2018	3,000,000	2,991	2,994
Canadian Imperial Bank of Commerce 1.04% 01-24-2018	5,000,000	4,948	4,996
Canadian Imperial Bank of Commerce 1.265% 02-20-2018	2,000,000	1,994	1,996
Canadian Imperial Bank of Commerce 1.44% 05-16-2018	4,000,000	3,972	3,978
Government of Canada 0.596% 02-08-2018	4,000,000	3,977	3,997
Government of Canada 0.607% 05-03-2018	1,000,000	992	996
Government of Canada 0.611% 01-11-2018	12,000,000	11,958	11,997
Government of Canada 0.627% 03-08-2018	5,000,000	4,976	4,992
Government of Canada 0.645% 05-31-2018	7,000,000	6,946	6,976
Government of Canada 0.896% 01-25-2018	10,000,000	9,961	9,994
Government of Canada 0.906% 02-22-2018	11,000,000	10,964	10,983
Government of Canada 0.976% 06-28-2018	10,000,000	9,900	9,949
Government of Canada 1.029% 05-17-2018	5,000,000	4,975	4,980
Government of Canada 1.084% 04-19-2018	3,000,000	2,985	2,990
Government of Canada 1.113% 06-14-2018	4,000,000	3,978	3,980
Government of Canada 1.163% 03-22-2018	11,500,000	11,445	11,472
Government of Canada 1.275% 10-18-2018	6,000,000	5,928	5,939
Government of Canada 1.302% 07-26-2018	4,000,000	3,958	3,972
Government of Canada 1.342% 08-23-2018	4,000,000	3,949	3,965
Government of Canada 1.41% 09-20-2018	10,000,000	9,863	9,899
Honda Canada Finance 1.292% 02-02-2018	1,000,000	994	999
National Bank of Canada 1.238% 01-02-2018	4,000,000	3,991	4,000
National Bank of Canada 1.295% 01-03-2018	2,000,000	1,994	2,000
Royal Bank of Canada 1.23% 01-05-2018	2,000,000	1,996	2,000
The Toronto-Dominion Bank 1.078% 01-12-2018	5,500,000	5,441	5,498
The Toronto-Dominion Bank 1.265% 01-02-2018	1,500,000	1,495	1,500
The Toronto-Dominion Bank 1.509% 05-28-2018	3,000,000	2,978	2,982
Toyota Credit Canada 0.934% 01-17-2018	1,000,000	993	1,000
Total Short Term Notes	145,532	146,020	
Total Investments	145,532	146,020	

Money Market Fund (Laketon) SF029

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Money Market Fund (Laketon) SF029 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year ⁽¹⁾	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 146,020	\$ —	\$ —	\$ —	\$ 146,020	

2016						
	Less than 1 year ⁽¹⁾	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 181,057	\$ —	\$ —	\$ —	\$ 181,057	

(1) For presentation purposes, short-term notes are included in bonds on the Statement of Financial Position.

Money Market Fund (Laketon) SF029
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Interest Rate Risk (continued)

As at December 31, 2017 and 2016, a raised or lowered 1% change in the prevailing interest rates, with all other variables held constant, would have no impact on the total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

D. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

<u>Assets measured at fair value</u>	2017				<u>Assets Measured at Fair Value</u>
	Level 1	Level 2	Level 3	Total	
Bonds	\$ —	\$ 146,020	\$ —	\$ 146,020	
Total assets measured at fair value	\$ —	\$ 146,020	\$ —	\$ 146,020	

<u>Assets measured at fair value</u>	2016				<u>Assets Measured at Fair Value</u>
	Level 1	Level 2	Level 3	Total	
Bonds	\$ —	\$ 181,057	\$ —	\$ 181,057	
Total assets measured at fair value	\$ —	\$ 181,057	\$ —	\$ 181,057	

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Money Market Fund (Laketon) SF029

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Emperor	310	315	355	401	477	27	27	31	35	41
Flex	94,126	95,092	99,136	95,108	108,956	7,984	8,057	8,395	8,046	9,210
Generations/Mosaic	1,977,791	2,443,985	2,559,720	3,154,449	3,510,673	25,000	30,859	32,301	39,765	44,224
Generations I	671,511	873,279	794,797	1,015,284	783,555	7,217	9,375	8,527	10,882	8,392
Generations II	573,170	272,714	306,769	471,541	468,471	5,900	2,804	3,153	4,841	4,806
Generations Core	362,796	398,586	362,228	508,950	503,903	3,736	4,100	3,723	5,226	5,171
Group	48,540	237,901	355,277	417,118	422,683	—	—	—	—	—
Prestige/Prestige Plus	260	660	752	761	806	22	56	63	64	68
Private Collections	12,846	12,846	12,846	21,219	29,127	145	145	145	239	328
75/75 guarantee policy	1,439,585	1,435,584	1,441,911	1,102,824	849,272	14,529	14,473	14,528	11,100	8,542
75/100 guarantee policy	2,361,261	2,209,235	2,760,218	2,058,263	1,379,076	23,822	22,264	27,800	20,709	13,865
100/100 guarantee policy	428,850	466,169	492,387	230,764	272,704	4,324	4,696	4,957	2,321	2,740
PS1 75/75 guarantee policy	526,088	872,370	47,614	21,507	52,248	5,313	8,799	480	216	524
PS1 75/100 guarantee policy	1,229,835	1,751,534	99,727	49,264	3,883	12,403	17,643	1,004	495	600
PS1 100/100 guarantee policy	543,200	402,951	3,300	—	—	5,456	4,042	33	—	—
PS2 75/75 guarantee policy	151,094	212,775	60,993	50,143	43,033	1,590	2,221	633	515	437
PS2 75/100 guarantee policy	290,706	206,601	322,044	295,714	41,388	3,058	2,156	3,339	3,039	420
PS2 100/100 guarantee policy	645,861	685,724	220,238	30,355	168,289	6,759	7,119	2,271	310	1,700

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Emperor	86.71	86.61	86.57	86.48	86.42	0.10	0.04
Flex	84.82	84.73	84.68	84.59	84.53	0.09	0.05
Generations/Mosaic	12.64	12.63	12.62	12.61	12.60	0.01	0.01
Generations I	10.75	10.74	10.73	10.72	10.71	0.01	0.01
Generations II	10.29	10.28	10.28	10.27	10.26	0.01	—
Generations Core	10.30	10.29	10.28	10.27	10.26	0.01	0.01
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	84.47	84.37	84.32	84.24	84.18	0.10	0.05
Private Collections	11.31	11.29	11.29	11.27	11.27	0.02	—
75/75 guarantee policy	10.09	10.08	10.08	10.07	10.06	0.01	—
75/100 guarantee policy	10.09	10.08	10.07	10.06	10.05	0.01	0.01
100/100 guarantee policy	10.08	10.07	10.07	10.06	10.05	0.01	—
PS1 75/75 guarantee policy	10.10	10.09	10.08	10.06	10.03	0.01	0.01
PS1 75/100 guarantee policy	10.09	10.07	10.06	10.05	10.03	0.02	0.01
PS1 100/100 guarantee policy	10.04	10.03	10.02	—	—	0.01	0.01
PS2 75/75 guarantee policy	10.52	10.44	10.37	10.28	10.16	0.08	0.07
PS2 75/100 guarantee policy	10.52	10.44	10.37	10.28	10.16	0.08	0.07
PS2 100/100 guarantee policy	10.46	10.38	10.31	10.22	10.10	0.08	0.07

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash and Overdrafts

Cash and overdrafts are comprised of cash on deposit and overdrafts in the bank. Cash and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Money Market Fund (Laketon) SF029

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Money Market Fund (Laketon) SF029

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Emperor	0.66	0.60	0.79	1.10	0.98
Flex	0.69	0.60	0.78	1.10	0.98
Generations/Mosaic	0.69	0.60	0.79	1.10	0.98
Generations I	0.69	0.60	0.79	1.10	0.98
Generations II	0.72	0.60	0.80	1.11	0.98
Generations Core	0.69	0.60	0.79	1.10	0.98
Prestige/Prestige Plus	0.66	0.60	0.79	1.10	0.98
Private Collections	0.69	0.60	0.81	1.10	0.98
75/75 guarantee policy	0.69	0.60	0.77	1.10	0.98
75/100 guarantee policy	0.69	0.60	0.76	1.10	0.98
100/100 guarantee policy	0.69	0.60	0.77	1.10	0.98
PS1 75/75 guarantee policy	0.65	0.57	0.64	0.93	0.84
PS1 75/100 guarantee policy	0.67	0.57	0.68	1.00	0.88
PS1 100/100 guarantee policy	0.68	0.57	0.61	—	—

Unsubsidized Management Expense Ratio (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Emperor	2.32	2.31	2.28	2.33	2.33
Flex	1.55	1.56	1.56	1.56	1.56
Generations/Mosaic	1.55	1.56	1.56	1.56	1.56
Generations I	1.55	1.56	1.56	1.56	1.56
Generations II	1.61	1.61	1.61	1.61	1.62
Generations Core	1.55	1.56	1.56	1.56	1.56
Prestige/Prestige Plus	2.32	2.31	2.28	2.33	2.33
Private Collections	1.55	1.56	1.56	1.56	1.52
75/75 guarantee policy	1.55	1.56	1.56	1.56	1.56
75/100 guarantee policy	1.55	1.56	1.56	1.56	1.56
100/100 guarantee policy	1.61	1.61	1.61	1.61	1.62
PS1 75/75 guarantee policy	0.99	0.99	0.99	0.99	0.97
PS1 75/100 guarantee policy	1.04	1.05	1.04	1.05	1.01
PS1 100/100 guarantee policy	1.10	1.10	1.10	—	—

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The waiving of direct expenses to the segregated funds is done on a discretionary basis to maintain management expense ratios at competitive levels. There is no obligation on the Company to continue waiving expenses and it may cease to do so at any time.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CORPORATE BOND FUND (PIM) SF817

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Corporate Bond Fund (PIM) SF817

We have audited the accompanying financial statements of Corporate Bond Fund (PIM) SF817, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Corporate Bond Fund (PIM) SF817 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Corporate Bond Fund (PIM) SF817

(in Canadian \$ thousands)

Fund Manager: Portico Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 626	\$ 1,182
Investment income due and accrued	623	561
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	76,331	64,962
Stocks	—	—
Investment fund units	—	—
Total investments	76,331	64,962
Total assets	\$ 77,580	\$ 66,705
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	118	18
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	118	18
Net assets attributable to contractholders	\$ 77,462	\$ 66,687

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 2,440	\$ 2,261	2,261
Miscellaneous income (loss)	3	4	4
Total income		2,443	2,265
Expenses			
Management fees (note 7)	120	121	121
Transaction costs	—	—	—
Withholding taxes	—	—	—
Other	11	11	11
Total expenses		131	132
Net increase (decrease) in net assets from operations attributable to contractholders			\$ 2,312
		\$ 2,312	\$ 2,133

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 66,687	\$ 56,680	56,680
Contractholder withdrawals	(5,100)	(3,815)	(3,815)
Increase (decrease) in net assets from operations attributable to contractholders	2,312	2,133	2,133
Change in net assets attributable to contractholders	10,775	10,007	10,007
Net assets attributable to contractholders - end of year		\$ 77,462	\$ 66,687

Corporate Bond Fund (PIM) SF817

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,312	\$ 2,133
Adjustments		
Realized (gains) losses	50	63
Unrealized (gains) losses	(94)	(263)
Gross proceeds of disposition of investments	15,702	8,044
Gross payments for the purchase of investments	(27,027)	(18,323)
Change in investment income due and accrued	(62)	(95)
Change in due from/to The Canada Life Assurance Company	100	61
Change in due from/to brokers	—	(268)
	(9,019)	(8,648)
Financing Activities		
Contractholder deposits	13,563	11,689
Contractholder withdrawals	(5,100)	(3,815)
	8,463	7,874
Net increase (decrease) in cash, short-term deposits and overdrafts	(556)	(774)
Cash, short-term deposits and overdrafts, beginning of year	1,182	1,956
Cash, short-term deposits and overdrafts, end of year	\$ 626	\$ 1,182
Supplementary cash flow information		
Interest received	\$ 2,327	\$ 1,961

Corporate Bond Fund (PIM) SF817

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds			
Corporate - Non Convertible			
407 International Inc. 3.83% 05-11-2046	504,000	527	532
Aeroports De Montreal 3.919% 09-26-2042	327,000	341	369
Aimia Inc. 5.60% 05-17-2019	189,000	193	190
AltaGas Ltd. 3.57% 06-12-2023 Callable	696,000	709	710
Altalink LP 2.244% 03-07-2022	361,000	361	356
AltaLink LP 3.99% 06-30-2042 Callable	1,334,000	1,415	1,450
Bank of Montreal 1.88% 03-31-2021	553,000	549	545
Bank of Montreal 2.10% 10-06-2020	334,000	335	332
Bank of Montreal 2.12% 03-16-2022	2,077,000	2,069	2,047
Bank of Montreal 2.43% 03-04-2019	647,000	652	651
Bank of Montreal 4.61% 09-10-2025 Callable	552,000	636	621
Bell Canada 3.15% 09-29-2021 Callable	675,000	693	688
Bell Canada 3.55% 03-02-2026	1,177,000	1,205	1,197
Bell Canada 4.75% 09-29-2044 Callable	914,000	924	987
Bruce Power LP 2.844% 06-23-2021	715,000	719	720
Cameco Corp. 3.75% 11-14-2022	473,000	474	467
Canadian Imperial Bank of Commerce 1.85% 07-14-2020	902,000	899	893
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable	797,000	815	804
Canadian Natural Resources Ltd. 2.05% 06-01-2020	448,000	447	443
Canadian Natural Resources Ltd. 2.60% 12-03-2019	385,000	384	387
Canadian Tire REIT 3.289% 06-01-2026	219,000	219	214
Canadian Western Bank 2.377% 01-23-2020	440,000	445	439
Canadian Western Bank 2.531% 03-22-2018	136,000	137	136
Canadian Western Bank 2.751% 06-29-2020	312,000	312	313
Canadian Western Bank 2.881% 03-01-2021	582,000	583	585
Choice Properties LP 3.196% 03-07-2023	355,000	359	357
Choice Properties REIT 4.903% 07-05-2023	351,000	384	382
CU Inc. 4.085% 09-02-2044	598,000	650	659
CU Inc. 5.896% 11-20-2034 Callable	742,000	959	980
Dollarama Inc. 2.203% 11-10-2022	377,000	379	368
Dollarama Inc. 3.095% 11-05-2018	390,000	396	394
Empire Life Insurance 3.664% 03-15-2028 variable voting	465,000	466	468
Enbridge Gas Distribution 3.51% 11-29-2047	428,000	428	429
Enbridge Inc. 3.19% 12-05-2022	797,000	814	805
Enbridge Inc. 4.24% 08-27-2042	555,000	531	532
Enbridge Inc. 4.53% 03-09-2020 Callable	737,000	807	769
Enbridge Inc. 5.375% 09-27-2077	502,000	502	500

Corporate Bond Fund (PIM) SF817

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Enbridge Income Fund Holdings Inc. 3.95% 11-19-2024	537,000	558	554
Enbridge Pipelines Inc. 5.33% 04-06-2040 Callable	921,000	1,075	1,108
EPCOR Utilities Inc. 5.65% 11-16-2035	197,000	258	252
First Capital Realty Inc. 3.604% 05-06-2026	376,000	380	373
First Capital Realty Inc. 3.90% 10-30-2023 Callable	1,546,000	1,594	1,599
Ford Credit Canada Ltd. 2.45% 05-07-2020	907,000	919	904
Ford Credit Canada Ltd. 2.58% 05-10-2021	674,000	677	669
Ford Credit Canada Ltd. 3.349% 09-19-2022	425,000	427	430
FortisAlberta Inc. 6.22% 10-31-2034 Callable	322,000	431	436
George Weston Ltd. 4.115% 06-17-2024	846,000	889	887
Gibson Energy Inc. 5.25% 07-15-2024 Series REGS	168,000	168	170
Gibson Energy Inc. 5.25% 07-15-2024 Series OCT	80,000	80	81
Greater Toronto Airports Authority 4.53% 12-02-2041 Callable	932,000	1,068	1,154
Greater Toronto Airports Authority 6.98% 10-15-2032 Callable	742,000	1,046	1,095
H&R REIT 3.369% 01-30-2024	402,000	402	398
HSBC Bank Canada 1.816% 07-07-2020	980,000	967	968
HSBC Bank Canada 2.491% 05-13-2019	1,415,000	1,443	1,423
Husky Energy Inc. 3.60% 03-10-2027	1,087,000	1,088	1,084
Hydro One Inc. 3.91% 02-24-2046	574,000	577	612
Hydro One Inc. 5.49% 07-16-2040	1,068,000	1,436	1,391
Hydro One Inc. 6.93% 06-01-2032	606,000	857	852
Inter Pipeline Ltd. 3.173% 03-24-2025	109,000	106	108
Inter Pipeline Ltd. 3.448% 07-20-2020	272,000	280	278
Laurentian Bank of Canada 4.25% 06-22-2027	330,000	333	332
Leisureworld Senior Care Corp. 3.474% 02-03-2021	346,000	354	356
Loblaw Companies Ltd. 5.90% 01-18-2036 Callable	1,188,000	1,342	1,446
Manufacturers Life Insurance Co. 2.64% 01-15-2025	527,000	536	530
Manufacturers Life Insurance Co. 2.811% 02-21-2024 Callable	1,527,000	1,542	1,538
Manufacturers Life Insurance Co. 3.181% 11-22-2027	731,000	758	747
Manulife Finance (Delaware) LP 5.059% 12-15-2041	897,000	918	1,015
Manulife Financial Corp. 3.049% 08-20-2029	218,000	218	216
Metro Inc. 3.39% 12-06-2027	570,000	570	566
National Bank of Canada 1.957% 06-30-2022	408,000	407	398
National Bank of Canada 2.404% 10-28-2019	711,000	717	715
North West Redwater Partnership 3.65% 06-01-2035	443,000	443	448
Ontario Power Generation 3.315% 10-04-2027	301,000	303	306
Parkland Fuel Corp. 5.625% 05-09-2025	184,000	184	186

Corporate Bond Fund (PIM) SF817

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Parkland Fuel Corp. 5.75% 09-16-2024 Callable	91,000	93	93
Pembina Pipeline Corp. 3.71% 08-11-2026	409,000	416	412
Royal Bank of Canada 1.968% 03-02-2022	1,031,000	1,013	1,010
Royal Bank of Canada 3.04% 07-17-2024 Callable	1,286,000	1,294	1,298
Royal Bank of Canada 3.45% 09-29-2026	869,000	888	888
Royal Bank of Canada 4.93% 07-16-2025	492,000	579	563
Saputo Inc. 2.827% 11-21-2023	174,000	174	174
Shaw Communications Inc. 3.80% 03-01-2027	425,000	432	434
Shaw Communications Inc. 6.75% 11-09-2039	530,000	651	684
Sun Life Financial Inc. 2.60% Floating Rate 09-25-2025	339,000	338	339
Sun Life Financial Inc. 2.75% 11-23-2027	435,000	435	433
Sun Life Financial Inc. 2.77% 05-13-2024	1,818,000	1,829	1,827
Sun Life Financial Inc. 5.40% 05-29-2042 Callable	901,000	1,006	1,087
Sun Life Financial Inc. Floating Rate 02-19-2026 Callable	270,000	270	274
Superior Plus LP 5.25% 02-27-2024	277,000	281	283
TD Capital Trust 9.523% 06-30-2108 Callable	249,000	338	273
TELUS Corp. 4.40% 04-01-2043 Callable	735,000	731	734
Teranet Holdings LP 4.807% 12-16-2020	969,000	1,045	1,014
The Bank of Nova Scotia 2.13% 06-15-2020	984,000	999	981
The Bank of Nova Scotia 2.58% 03-30-2027	894,000	877	880
The Bank of Nova Scotia 3.27% 01-11-2021	553,000	586	568
The Bank of Nova Scotia 8.90% 06-20-2025	205,000	291	283
The Toronto-Dominion Bank 1.693% 04-02-2020	557,000	553	551
The Toronto-Dominion Bank 2.621% 12-22-2021	1,934,000	1,994	1,949
The Toronto-Dominion Bank 3.224% 07-25-2029	327,000	327	327
The Toronto-Dominion Bank 3.226% 07-24-2024	739,000	769	763
The Toronto-Dominion Bank 5.828% 07-09-2023	557,000	641	568
TransCanada PipeLines Ltd. 3.30% 07-17-2025	1,228,000	1,245	1,264
TransCanada PipeLines Ltd. Floating Rate 05-18-2077	365,000	365	365
Union Gas Ltd. 3.59% 11-22-2047	352,000	352	357
Union Gas Ltd. 3.80% 06-01-2046	277,000	293	291
Ventas Canada Inc. 3.00% 09-30-2019	1,062,000	1,072	1,074
Ventas Canada Inc. 4.125% 09-30-2024 Callable	505,000	531	530
Wells Fargo & Co. 2.222% 03-15-2021	347,000	347	344
Wells Fargo Financial Canada Corp. 3.874% 05-21-2025	343,000	349	352
WestJet Airlines Ltd. 3.287% 07-23-2019	919,000	922	930

Corporate Bond Fund (PIM) SF817

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Bonds (continued)			
Corporate - Non Convertible (continued)			
Total Corporate - Non Convertible	72,395	72,541	
Total Canadian Bonds	72,395	72,541	
United States Bonds			
Corporate - Non Convertible			
Apple Inc. 2.513% 08-19-2024	429,000	428	426
AT&T Inc. 3.825% 11-25-2020	1,259,000	1,310	1,304
Bank of America 3.407% 09-20-2025	226,000	226	231
JPMorgan Chase & Co. 3.19% 03-05-2021	681,000	707	698
McDonald's Corp. 3.125% 03-04-2025	479,000	481	484
Wells Fargo & Co. 2.094% 04-25-2022	495,000	483	483
Total Corporate - Non Convertible	3,635	3,626	
Total United States Bonds	3,635	3,626	
Global Bonds			
United Kingdom			
Aviva PLC 4.50% 05-10-2021	156,000	155	164
Total Global Bonds	155	164	
Total Bonds	76,185	76,331	
Total Investments	76,185	76,331	

Corporate Bond Fund (PIM) SF817

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Corporate Bond Fund (PIM) SF817 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 530	\$ 28,209	\$ 26,540	\$ 21,052		\$ 76,331
2016						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ 2,661	\$ 22,236	\$ 24,631	\$ 15,434		\$ 64,962

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$4,743 (\$3,846 at December 31, 2016) or approximately 6.1% (5.8% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

Corporate Bond Fund (PIM) SF817
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

Debt securities by credit rating are as follows:

	2017		2016	
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AA	4.9	4.8	13.5	13.2
A	41.5	40.9	35.6	34.6
BBB	51.2	50.5	49.6	48.3
BB and lower	2.4	2.4	1.3	1.3
Total	100.0	98.6	100.0	97.4

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

<u>Assets measured at fair value</u>	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Bonds	\$ —	\$ 76,331	\$ —	\$ 76,331
Total assets measured at fair value	\$ —	\$ 76,331	\$ —	\$ 76,331

<u>Assets measured at fair value</u>	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Bonds	\$ —	\$ 64,962	\$ —	\$ 64,962
Total assets measured at fair value	\$ —	\$ 64,962	\$ —	\$ 64,962

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Corporate Bond Fund (PIM) SF817

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
75/75 guarantee policy	66,689	65,870	98,324	114,510	38,526	726	707	1,038	1,203	386
75/100 guarantee policy	233,717	253,475	413,196	269,944	67,419	2,531	2,711	4,349	2,831	675
100/100 guarantee policy	38,323	36,690	38,765	5,975	550	412	390	406	62	6
PS1 75/75 guarantee policy	58,759	45,468	1,054	—	—	655	497	11	—	—
PS1 75/100 guarantee policy	204,446	200,594	55,060	32,929	—	2,268	2,186	587	348	—
PS1 100/100 guarantee policy	929	929	—	—	—	10	10	—	—	—
PS2 75/75 guarantee policy	4,284	13,057	1,123	—	—	51	151	12	—	—
PS2 75/100 guarantee policy	178,761	51,980	26,309	20,073	12,228	2,142	601	293	218	124

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
75/75 guarantee policy	10.88	10.74	10.55	10.50	10.02	0.14	0.19
75/100 guarantee policy	10.83	10.69	10.53	10.49	10.02	0.14	0.16
100/100 guarantee policy	10.75	10.63	10.48	10.46	10.01	0.12	0.15
PS1 75/75 guarantee policy	11.15	10.94	10.69	—	—	0.21	0.25
PS1 75/100 guarantee policy	11.09	10.90	10.67	10.57	—	0.19	0.23
PS1 100/100 guarantee policy	11.01	10.83	—	—	—	0.18	0.11
PS2 75/75 guarantee policy	11.97	11.56	11.13	—	—	0.41	0.43
PS2 75/100 guarantee policy	11.98	11.57	11.13	10.84	10.12	0.41	0.44

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

Corporate Bond Fund (PIM) SF817

Notes to the Financial Statements

(in Canadian \$ thousands)

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Corporate Bond Fund (PIM) SF817

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
75/75 guarantee policy	2.15	2.16	2.16	2.19	2.16
75/100 guarantee policy	2.27	2.27	2.27	2.30	2.27
100/100 guarantee policy	2.43	2.42	2.45	2.48	2.44
PS1 75/75 guarantee policy	1.59	1.59	1.59	—	—
PS1 75/100 guarantee policy	1.70	1.68	1.70	1.72	—
PS1 100/100 guarantee policy	1.85	1.86	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	20.14	12.04	32.91	48.48	—

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
REAL RETURN BOND FUND (PIM) SF820

December 31, 2017



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Canada

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Independent Auditor's Report

To the Contractholders of Real Return Bond Fund (PIM) SF820

We have audited the accompanying financial statements of Real Return Bond Fund (PIM) SF820, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Real Return Bond Fund (PIM) SF820 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Real Return Bond Fund (PIM) SF820

(in Canadian \$ thousands)

Fund Manager: Portico Investment Management, a division of GLC Asset Management Group Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 194	\$ 252
Investment income due and accrued	25	24
Due from The Canada Life Assurance Company (note 7)	12	52
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Bonds	14,590	13,945
Stocks	—	—
Investment fund units	—	—
Total investments	14,590	13,945
Total assets	\$ 14,821	\$ 14,273
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	—
Net assets attributable to contractholders	\$ 14,821	\$ 14,273

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 116	\$ 287	287
Miscellaneous income (loss)	11	6	6
Total income	127	293	293
Expenses			
Management fees (note 7)	43	35	35
Transaction costs	—	—	—
Withholding taxes	—	—	—
Other	5	4	4
Total expenses	48	39	39
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 79	\$ 254	254

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 14,273	\$ 10,963	10,963
Contractholder withdrawals	(2,380)	4,507	4,507
Increase (decrease) in net assets from operations attributable to contractholders	(1,911)	(1,451)	(1,451)
Change in net assets attributable to contractholders	79	254	254
Net assets attributable to contractholders - end of year	\$ 14,821	\$ 14,273	3,310

Real Return Bond Fund (PIM) SF820

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 79	\$ 254
Adjustments		
Add back amortization of premium (discount)	(153)	(132)
Realized (gains) losses	38	(43)
Unrealized (gains) losses	316	147
Gross proceeds of disposition of investments	1,912	1,075
Gross payments for the purchase of investments	(2,758)	(4,442)
Change in investment income due and accrued	(1)	(5)
Change in due from/to The Canada Life Assurance Company	40	(53)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(527)	(3,199)
Financing Activities		
Contractholder deposits	2,380	4,507
Contractholder withdrawals	(1,911)	(1,451)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	469	3,056
Net increase (decrease) in cash, short-term deposits and overdrafts	(58)	(143)
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 194	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/> \$ 252
Supplementary cash flow information		
Interest received	\$ 316	\$ 253

Real Return Bond Fund (PIM) SF820

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Canadian Bonds			
Federal Government			
Government of Canada 0.50% 12-01-2050 Real Return	278,000	271	274
Government of Canada 1.25% 12-01-2047 Real Return	1,300,000	1,620	1,641
Government of Canada 1.50% 06-01-2026	62,000	61	59
Government of Canada 1.50% 12-01-2044 Real Return	1,337,000	1,796	1,866
Government of Canada 2.00% 12-01-2041 Real Return	1,128,000	1,711	1,752
Government of Canada 2.75% 12-01-2048	80,000	87	89
Government of Canada 3.00% 12-01-2036 Real Return	846,000	1,567	1,544
Government of Canada 4.00% 12-01-2031 Real Return	902,000	1,940	1,903
Government of Canada 4.25% 12-01-2021 Real Return	1,000,000	1,934	1,820
Government of Canada 4.25% 12-01-2026 Real Return	794,000	1,656	1,587
 Total Federal Government		12,643	12,535
Provincial Governments			
Province of Ontario 2.00% 12-01-2036 Real Return	995,000	1,310	1,365
Province of Quebec 4.50% 12-01-2021 Real Return	56,000	87	87
Province of Quebec 4.50% 12-01-2026 Real Return	319,000	612	603
 Total Provincial Governments		2,009	2,055
 Total Canadian Bonds		14,652	14,590
 Total Bonds		14,652	14,590
 Total Investments		14,652	14,590

Real Return Bond Fund (PIM) SF820

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Real Return Bond Fund (PIM) SF820 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates. The risk is professionally managed at the security and fund level by the Company.

The table below summarizes the Fund's exposure to interest rate risks by remaining term-to-maturity.

2017						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ —	\$ 1,910	\$ 2,247	\$ 10,433	\$ 14,590	
2016						
	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years		Total
Bonds	\$ —	\$ 2,061	\$ 2,338	\$ 9,546	\$ 13,945	

As at December 31, 2017, had prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to contractholders would have decreased or increased, respectively, by approximately \$1,108 (\$1,061 at December 31, 2016) or approximately 7.5% (7.4% at December 31, 2016). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, the actual results may differ and the difference could be significant.

Real Return Bond Fund (PIM) SF820
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

D. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the maximum credit risk exposure as at December 31, 2017. The amount of credit risk to any one issuer may be determined from the information reported in the Schedule of Investment Portfolio. The Fund may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low. The Company monitors credit risk and credit ratings on a regular basis. All new counterparties to financial instruments are subject to an approval process.

There was no change in fair values of financial liabilities as a result of changes in credit risks during 2017 or 2016.

All transactions in listed securities are settled and paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Credit ratings are obtained from the Bloomberg Composite Rating unless a rating from another agency (DBRS, Standard & Poor's, Moody's Investors Service and/or Fitch Ratings) is lower, in which case the lowest rating is used.

Debt securities by credit rating are as follows:

	2017	2016		
	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)	Percent of Total Bonds (%)	Percent of Total Net Assets Attributable to Contractholders (%)
AAA	85.9	84.6	89.0	87.0
A	14.1	13.8	11.0	10.7
Total	100.0	98.4	100.0	97.7

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Bonds	\$ —	\$ 14,590	\$ —	\$ 14,590
Total assets measured at fair value				
	\$ —	\$ 14,590	\$ —	\$ 14,590

	2016			
	Assets Measured at Fair Value			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Bonds	\$ —	\$ 13,945	\$ —	\$ 13,945
Total assets measured at fair value				
	\$ —	\$ 13,945	\$ —	\$ 13,945

There have not been any significant transfers in or out of Levels 1 or 2 during the year.

Real Return Bond Fund (PIM) SF820

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
75/75 guarantee policy	47,803	45,622	34,981	121,856	112,244	503	487	371	1,288	1,074
75/100 guarantee policy	61,347	74,375	77,488	21,404	2,852	641	790	818	226	27
100/100 guarantee policy	45,323	30,327	24,182	846	—	470	320	254	9	—
PS1 75/75 guarantee policy	15,406	27,254	8,700	—	—	166	297	93	—	—
PS1 75/100 guarantee policy	32,420	25,719	2,906	2,778	—	347	278	31	30	—
PS2 75/75 guarantee policy	—	—	—	—	—	—	—	—	—	—
PS2 75/100 guarantee policy	16,018	16,828	—	9,163	—	186	194	—	100	—
PS2 100/100 guarantee policy	18,323	6,422	—	—	—	213	74	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
75/75 guarantee policy	10.53	10.68	10.60	10.57	9.57	(0.15)	0.08
75/100 guarantee policy	10.45	10.62	10.56	10.54	9.56	(0.17)	0.06
100/100 guarantee policy	10.36	10.55	10.51	10.51	—	(0.19)	0.04
PS1 75/75 guarantee policy	10.79	10.88	10.74	—	—	(0.09)	0.14
PS1 75/100 guarantee policy	10.71	10.82	10.70	10.62	—	(0.11)	0.12
PS2 75/75 guarantee policy	—	—	—	—	—	(11.45)	—
PS2 75/100 guarantee policy	11.61	11.52	—	10.91	—	0.09	(0.45)
PS2 100/100 guarantee policy	11.61	11.52	—	—	—	0.09	(0.02)

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Bonds

Bonds are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Interest income on debt securities - included in the change in fair value of such investments and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes interest income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

Real Return Bond Fund (PIM) SF820

Notes to the Financial Statements

(in Canadian \$ thousands)

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by GLC Asset Management Group Ltd. All investment transactions with the corresponding underlying funds are at quoted market prices.

Real Return Bond Fund (PIM) SF820

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
75/75 guarantee policy	2.22	2.20	2.20	2.22	2.16
75/100 guarantee policy	2.39	2.37	2.38	2.38	2.33
100/100 guarantee policy	2.55	2.54	2.55	2.57	—
PS1 75/75 guarantee policy	1.64	1.63	1.63	—	—
PS1 75/100 guarantee policy	1.80	1.80	1.81	1.80	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	14.99	5.76	71.19	6.13	—

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BOND FUND (SRA) SF199

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Bond Fund (SRA) SF199

We have audited the accompanying financial statements of Bond Fund (SRA) SF199, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bond Fund (SRA) SF199 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Bond Fund (SRA) SF199

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	17	44
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	28,712	39,293
Total investments	28,712	39,293
Total assets	\$ 28,729	\$ 39,337
Liabilities		
Overdrafts	\$ 76	\$ 28
Due to The Canada Life Assurance Company (note 8)	146	30
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	222	58
Net assets attributable to contractholders	\$ 28,507	\$ 39,279

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,095	\$ 984	—
Miscellaneous income (loss)	—	—	—
Total income	1,095	984	—
Expenses			
Management fees (note 8)	64	81	—
Other	7	9	—
Total expenses	71	90	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,024	\$ 894	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 39,279	\$ 42,407	—
Contractholder deposits	307	1,748	—
Contractholder withdrawals	(12,103)	(5,770)	—
Increase (decrease) in net assets from operations attributable to contractholders	1,024	894	—
Change in net assets attributable to contractholders	(10,772)	(3,128)	—
Net assets attributable to contractholders - end of year	\$ 28,507	\$ 39,279	—

Bond Fund (SRA) SF199

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,024	\$ 894
Adjustments		
Realized (gains) losses	431	95
Unrealized (gains) losses	(614)	532
Gross proceeds of disposition of investments	11,931	5,547
Gross payments for the purchase of investments	(255)	(1,546)
Change in distribution income of underlying mutual fund	(912)	(1,611)
Change in due from/to The Canada Life Assurance Company	116	18
Change in due from/to brokers	27	(51)
	11,748	3,878
Financing Activities		
Contractholder deposits	307	1,748
Contractholder withdrawals	(12,103)	(5,770)
	(11,796)	(4,022)
Net increase (decrease) in cash, short-term deposits and overdrafts	(48)	(144)
Cash, short-term deposits and overdrafts, beginning of year	(28)	116
Cash, short-term deposits and overdrafts, end of year	\$ (76)	\$ (28)

Bond Fund (SRA) SF199

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett Bond Fund Pooled	2,905,882	29,831	28,712
Total Investments		29,831	28,712

Top 25 Holdings

Security Description	% of Total
MBS 97507953 1.37% 11-01-2021	7.13%
MBS 97508630 1.62% 03-01-2022	5.58%
Canada Housing Trust No. 1 1.55% 09-15-2022	5.32%
Province of Ontario 5.60% 06-02-2035	4.47%
Province of Ontario 2.85% 06-02-2023	4.23%
Province of Quebec Floating Rate 1.98% 10-19-2023	4.16%
Royal Bank of Canada 3.31% 01-20-2021	3.77%
Canada Housing Trust No. 1 1.25% 12-15-2020	3.30%
Province of Ontario 2.60% 06-02-2027	2.92%
Province of Quebec 3.50% 12-01-2045	2.90%
MBS 97506996 1.40% 05-01-2021	2.88%
Province of Ontario 2.90% 12-02-2046	2.73%
Province of Ontario 2.40% 06-02-2026	2.63%
MBS 97509097 1.42% 06-01-2022	2.36%
TransCanada Trust 4.65% 05-18-2027	2.10%
The Toronto-Dominion Bank 3.22% 07-25-2024	2.09%
Government of Canada 1.50% 12-01-2044 Real Return	2.00%
Canada Housing Trust No. 1 1.75% 06-15-2022	1.82%
Province of Alberta 2.20% 06-01-2026	1.80%
Province of British Columbia 3.20% 06-18-2044	1.69%
GE Capital Canada 1.75% 02-15-2022	1.63%
Enbridge Inc. 4.24% 08-27-2042	1.62%
Province of Manitoba 6.30% 03-05-2031	1.59%
IGM Financial Inc. 6.00% 12-10-2040*	1.53%
Canadian Imperial Bank of Commerce 2.30% 07-11-2022	1.48%

*The issuer of this security is a related company to the issuer of the fund.

Bond Fund (SRA) SF199

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Emperor	21,037	21,591	21,990	22,825	28,764	433	443	453	472	563
Group	126,829	176,981	225,143	249,657	305,293	—	—	—	—	—
Prestige/Prestige Plus	7,399	8,360	8,441	8,869	12,649	141	159	162	172	233

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Emperor	20.57	20.51	20.59	20.68	19.58	0.06	(0.08)
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	19.02	19.04	19.21	19.37	18.43	(0.02)	(0.17)

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Bond Fund (SRA) SF199 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Bond Fund (SRA) SF199
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Bond Fund (SRA) SF199

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Emperor	2.83	2.82	2.81	2.84	2.83
Prestige/Prestige Plus	2.83	2.82	2.81	2.84	2.83

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	0.71	4.50	24.86	16.70	7.15

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
MONEY MARKET FUND (SRA) SF201

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Money Market Fund (SRA) SF201

We have audited the accompanying financial statements of Money Market Fund (SRA) SF201, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Money Market Fund (SRA) SF201 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Money Market Fund (SRA) SF201

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 6)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	2,214	3,988
Total investments	2,214	3,988
Total assets	\$ 2,214	\$ 3,988
Liabilities		
Overdrafts	\$ 3	\$ 17
Due to The Canada Life Assurance Company (note 6)	28	8
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	31	25
Net assets attributable to contractholders	\$ 2,183	\$ 3,963

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 21	\$ 11	—
Miscellaneous income (loss)	—	—	—
Total income	21	11	—
Expenses			
Management fees (note 6)	1	1	—
Other	—	—	—
Total expenses	1	1	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 20	\$ 10	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 3,963	\$ 2,690	—
Contractholder deposits	3,024	2,427	—
Contractholder withdrawals	(4,824)	(1,164)	—
Increase (decrease) in net assets from operations attributable to contractholders	20	10	—
Change in net assets attributable to contractholders	(1,780)	1,273	—
Net assets attributable to contractholders - end of year	\$ 2,183	\$ 3,963	—

Money Market Fund (SRA) SF201

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 20	\$ 10
Adjustments		
Gross proceeds of disposition of investments	4,421	1,031
Gross payments for the purchase of investments	(2,626)	(2,294)
Change in distribution income of underlying mutual fund	(21)	(11)
Change in due from/to The Canada Life Assurance Company	20	9
	<hr/> 1,814	<hr/> (1,255)
Financing Activities		
Contractholder deposits	3,024	2,427
Contractholder withdrawals	(4,824)	(1,164)
	<hr/> (1,800)	<hr/> 1,263
Net increase (decrease) in cash, short-term deposits and overdrafts	14	8
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (17)	<hr/> (25)
Cash, short-term deposits and overdrafts, end of year	<hr/> <hr/> \$ (3)	<hr/> <hr/> \$ (17)

Money Market Fund (SRA) SF201

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett Money Market Fund Pooled	221,412	2,214	2,214
Total Investments		2,214	2,214

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Money Market Fund (SRA) SF201 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 7 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Money Market Fund (SRA) SF201
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Money Market Fund (SRA) SF201
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Money Market Fund (SRA) SF201
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 7 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

6. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

7. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/ shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

Money Market Fund (SRA) SF201

Notes to the Financial Statements

(in Canadian \$ thousands)

7. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

c) **Currency Risk**

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) **Interest Rate Risk**

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) **Credit Risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) **Other Price Risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) **Fair Value Classification**

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
CANADIAN EQUITY FUND (SRA) SF202

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (SRA) SF202

We have audited the accompanying financial statements of Canadian Equity Fund (SRA) SF202, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Equity Fund (SRA) SF202 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Equity Fund (SRA) SF202

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	8	124
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	22,295	35,180
Total investments	22,295	35,180
Total assets	\$ 22,303	\$ 35,304
 Liabilities		
Overdrafts	\$ 92	\$ 124
Due to The Canada Life Assurance Company (note 8)	226	208
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	318	332
Net assets attributable to contractholders	\$ 21,985	\$ 34,972

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 3,201	\$ 8,298
Miscellaneous income (loss)	—	—
Total income	3,201	8,298
 Expenses		
Management fees (note 8)	213	206
Other	18	22
Total expenses	231	228
 Net increase (decrease) in net assets from operations attributable to contractholders	\$ 2,970	\$ 8,070

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 34,972	\$ 30,337	
Contractholder deposits	503	3,100
Contractholder withdrawals	(16,460)	(6,535)
Increase (decrease) in net assets from operations attributable to contractholders	2,970	8,070
Change in net assets attributable to contractholders	(12,987)	4,635
 Net assets attributable to contractholders - end of year	\$ 21,985	\$ 34,972

Canadian Equity Fund (SRA) SF202

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 2,970	\$ 8,070
Adjustments		
Realized (gains) losses	(1,795)	(51)
Unrealized (gains) losses	1,268	(5,643)
Gross proceeds of disposition of investments	17,309	6,598
Gross payments for the purchase of investments	(1,223)	(3,117)
Change in distribution income of underlying mutual fund	(2,674)	(2,604)
Change in due from/to The Canada Life Assurance Company	18	184
Change in due from/to brokers	116	(113)
	<hr/> 15,989	<hr/> 3,324
Financing Activities		
Contractholder deposits	503	3,100
Contractholder withdrawals	<hr/> (16,460)	<hr/> (6,535)
	<hr/> (15,957)	<hr/> (3,435)
Net increase (decrease) in cash, short-term deposits and overdrafts	32	(111)
Cash, short-term deposits and overdrafts, beginning of year	(124)	(13)
Cash, short-term deposits and overdrafts, end of year	\$ (92)	\$ (124)

Canadian Equity Fund (SRA) SF202

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett Canadian Equity Fund Pooled	1,591,953	21,845	22,295
Total Investments		21,845	22,295

Top 25 Holdings

Security Description	% of Total
Royal Bank of Canada	9.70%
The Toronto-Dominion Bank	9.16%
Canadian Imperial Bank of Commerce	5.46%
Canadian National Railway Co.	4.58%
The Bank of Nova Scotia	4.43%
Agrium Inc.	4.12%
Bank of Montreal	3.88%
Suncor Energy Inc.	3.81%
Manulife Financial Corp.	3.67%
Magna International Inc. Class A	3.63%
TransCanada Corp.	3.37%
Power Corp. of Canada *	3.31%
Westjet Airlines Ltd.	2.98%
Cash and short-term deposits	2.95%
Canadian Natural Resources Ltd.	2.80%
Goldcorp Inc.	2.76%
Canadian Pacific Railway Ltd.	2.56%
Rogers Communications Inc. Class B	2.43%
Methanex Corp.	2.41%
TELUS Corp.	2.20%
Enbridge Inc.	1.92%
Cenovus Energy Inc.	1.82%
Crescent Point Energy Corp.	1.68%
CI Financial Corp.	1.54%
Barrick Gold Corp.	1.44%

*The issuer of this security is a related company to the issuer of the fund

Canadian Equity Fund (SRA) SF202

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Emperor	81,074	85,629	93,036	101,200	115,323	2,831	2,765	2,409	2,920	3,278
Group	178,987	293,620	307,639	472,146	455,926	—	—	—	—	—
Prestige/Prestige Plus	28,077	29,664	28,467	31,151	36,208	908	891	688	843	970

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Emperor	34.92	32.29	25.90	28.85	28.43	2.63	6.39
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	32.33	30.02	24.18	27.06	26.78	2.31	5.84

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Equity Fund (SRA) SF202 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Equity Fund (SRA) SF202

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Equity Fund (SRA) SF202

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Emperor	2.78	2.77	2.77	2.79	2.78
Prestige/Prestige Plus	2.78	2.77	2.77	2.79	2.78

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	3.92	9.86	3.51	7.93	10.72

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
EUROPEAN & PACIFIC EQUITY FUND (SRA) SF205

December 31, 2017



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Independent Auditor's Report

To the Contractholders of European & Pacific Equity Fund (SRA) SF205

We have audited the accompanying financial statements of European & Pacific Equity Fund (SRA) SF205, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of European & Pacific Equity Fund (SRA) SF205 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

European & Pacific Equity Fund (SRA) SF205

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	70
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	6,081	8,855
Total investments	6,081	8,855
Total assets	\$ 6,081	\$ 8,925
Liabilities		
Overdrafts	\$ —	\$ 70
Due to The Canada Life Assurance Company (note 8)	24	129
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	24	199
Net assets attributable to contractholders	\$ 6,057	\$ 8,726

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,834	\$ 11	—
Miscellaneous income (loss)	—	—	—
Total income	1,834	11	—
Expenses			
Management fees (note 8)	10	7	—
Other	1	1	—
Total expenses	11	8	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,823	\$ 3	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 8,726	\$ 8,726	\$ 9,809	—
Contractholder deposits	798	341	—
Contractholder withdrawals	(5,290)	(1,427)	—
Increase (decrease) in net assets from operations attributable to contractholders	1,823	3	—
Change in net assets attributable to contractholders	(2,669)	(1,083)	—
Net assets attributable to contractholders - end of year	\$ 6,057	\$ 8,726	—

European & Pacific Equity Fund (SRA) SF205

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,823	\$ 3
Adjustments		
Realized (gains) losses	(1,643)	(301)
Unrealized (gains) losses	(20)	549
Gross proceeds of disposition of investments	5,954	1,439
Gross payments for the purchase of investments	(1,346)	(440)
Change in distribution income of underlying mutual fund	(171)	(260)
Change in due from/to The Canada Life Assurance Company	(105)	104
Change in due from/to brokers	70	(2)
	4,562	1,092
Financing Activities		
Contractholder deposits	798	341
Contractholder withdrawals	(5,290)	(1,427)
	(4,492)	(1,086)
Net increase (decrease) in cash, short-term deposits and overdrafts	70	6
Cash, short-term deposits and overdrafts, beginning of year	(70)	(76)
Cash, short-term deposits and overdrafts, end of year	\$ —	\$ (70)

European & Pacific Equity Fund (SRA) SF205

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett EAFE Fund Pooled	469,502	4,387	6,081
Total Investments		4,387	6,081

Top 25 Holdings

Security Description	% of Total
Tencent Holdings Ltd.	1.86%
Nestle SA	1.59%
Roche Holding AG	1.58%
Diageo PLC	1.24%
Commonwealth Bank of Australia	1.06%
Allianz AG	0.87%
OMV AG	0.82%
KBC Groep NV	0.81%
ING Groep NV	0.81%
Reckitt Benckiser Group PLC	0.80%
Rio Tinto Ltd.	0.75%
Suzuki Motor Corp.	0.71%
Covestro AG	0.70%
Royal Bank of Canada	0.67%
Adidas AG	0.62%
Mitsubishi Estate Co. Ltd.	0.62%
GlaxoSmithKline PLC	0.56%
A2A SPA	0.55%
STMicroelectronics NV	0.55%
Galaxy Entertainment Group	0.54%
Sumitomo Forestry Co. Ltd.	0.54%
Porsche Automobil Holding Preferred	0.53%
Canadian Imperial Bank of Commerce	0.53%
Cie Financiere Richemont-Br Class A	0.53%
Adecco SA	0.53%

European & Pacific Equity Fund (SRA) SF205

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	39,900	24,970	33,852	19,776	34,635	—	—	—	—	—
Prestige/Prestige Plus	5,099	4,615	4,615	3,646	3,091	64	49	51	35	30

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	12.58	10.61	10.96	9.65	9.57	1.97	(0.35)

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The European & Pacific Equity Fund (SRA) SF205 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

European & Pacific Equity Fund (SRA) SF205
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

European & Pacific Equity Fund (SRA) SF205
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

European & Pacific Equity Fund (SRA) SF205

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

European & Pacific Equity Fund (SRA) SF205

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.64	3.64	3.61	3.70	3.70

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	15.86	5.76	16.03	13.75	17.24

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of

THE CANADA LIFE ASSURANCE COMPANY

CANADIAN SHORT-TERM BOND FUND (SRA) SF210

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Canadian Short-Term Bond Fund (SRA) SF210

We have audited the accompanying financial statements of Canadian Short-Term Bond Fund (SRA) SF210, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Short-Term Bond Fund (SRA) SF210 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Canadian Short-Term Bond Fund (SRA) SF210

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	923
Due from brokers	—	73
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>1,050</u>	17,448
Total investments	<u>1,050</u>	17,448
Total assets	<u><u>\$ 1,050</u></u>	<u><u>\$ 18,444</u></u>
Liabilities		
Overdrafts	\$ 5	\$ 74
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>5</u>	<u>74</u>
Net assets attributable to contractholders	<u><u>\$ 1,045</u></u>	<u><u>\$ 18,370</u></u>

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 93	\$ 172	—
Miscellaneous income (loss)	—	—	—
Total income	<u>93</u>	<u>172</u>	<u>—</u>
Expenses			
Management fees (note 8)	23	41	—
Other	3	5	—
Total expenses	<u>26</u>	<u>46</u>	<u>—</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 67</u></u>	<u><u>\$ 126</u></u>	<u><u>—</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
\$ 18,370	\$ 18,290	\$ 18,290	\$ 18,290
Contractholder deposits	1,581	2,216	—
Contractholder withdrawals	(18,973)	(2,262)	—
Increase (decrease) in net assets from operations attributable to contractholders	67	126	—
Change in net assets attributable to contractholders	(17,325)	80	—
Net assets attributable to contractholders - end of year	<u><u>\$ 1,045</u></u>	<u><u>\$ 18,370</u></u>	<u><u>—</u></u>

Canadian Short-Term Bond Fund (SRA) SF210

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 67	\$ 126
Adjustments		
Realized (gains) losses	423	30
Unrealized (gains) losses	(324)	90
Gross proceeds of disposition of investments	18,916	2,124
Gross payments for the purchase of investments	(2,425)	(1,156)
Change in distribution income of underlying mutual fund	(192)	(292)
Change in due from/to The Canada Life Assurance Company	923	(919)
Change in due from/to brokers	73	17
	<hr/> 17,461	<hr/> 20
Financing Activities		
Contractholder deposits	1,581	2,216
Contractholder withdrawals	(18,973)	(2,262)
	<hr/> (17,392)	<hr/> (46)
Net increase (decrease) in cash, short-term deposits and overdrafts	69	(26)
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (74)	<hr/> (48)
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ (5)	<hr/> \$ (74)

Canadian Short-Term Bond Fund (SRA) SF210

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett Short Term Bond Fund Pooled	108,089	1,076	1,050
Total Investments		1,076	1,050

Top 25 Holdings

Security Description	% of Total
MBS 97507953 1.37% 11-01-2021	16.41%
Canada Housing Trust No. 1 1.25% 12-15-2020	8.72%
Canada Housing Trust No. 1 1.15% 12-15-2021	7.44%
Province of Ontario Floating Rate 1.67% 10-27-2021	7.14%
MBS 97508630 1.62% 03-01-2022	6.91%
MBS 97506996 1.40% 05-01-2021	6.65%
MBS 97507473 1.30% 08-01-2021	6.09%
Canada Housing Trust No. 1 Floating Rate 1.63% 09-15-2021	5.79%
Canada Housing Trust No. 1 Floating Rate 1.55% 09-15-2022	4.44%
Bank of Montreal Floating Rate 1.83% 04-11-2019	3.61%
Royal Bank of Canada Floating Rate 1.83% 04-09-2019	3.61%
The Bank of Nova Scotia 2.24% 03-22-2018	3.53%
Government of Canada 0.00% 01-25-2018	3.30%
Canada Housing Trust No. 1 1.75% 06-15-2022	3.30%
MBS 97509097 1.42% 06-01-2022	2.17%
Government of Canada 0.00% 02-08-2018	1.98%
Hollis Receivables Term Trust II 1.79% 02-26-2020	1.75%
CHIP Mortgage Trust 2.33% 04-29-2020	1.74%
Sun Life Financial Inc. 5.70% 07-02-2019	1.39%
Hydro One Inc. Floating Rate 1.86% 03-21-2019	0.98%
Royal Bank of Canada 2.82% 07-12-2018	0.98%
Canadian Credit Card Trust 1.83% 03-24-2020	0.88%
Gcolt 2017-1 A3 2.47% 09-20-2022	0.79%
Gcolt 2017-1 A2 2.26% 09-21-2020	0.40%
Cash and short-term deposits	0.02%

Canadian Short-Term Bond Fund (SRA) SF210

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	63,529	927,380	944,929	1,010,763	1,036,519	—	—	—	—	—
Prestige/Prestige Plus	—	213	213	595	859	—	3	3	8	12

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	—	13.82	14.02	14.13	14.12	—	(0.20)

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Canadian Short-Term Bond Fund (SRA) SF210 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Canadian Short-Term Bond Fund (SRA) SF210
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Canadian Short-Term Bond Fund (SRA) SF210
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Canadian Short-Term Bond Fund (SRA) SF210

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Canadian Short-Term Bond Fund (SRA) SF210

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	—	2.48	2.34	2.36	2.37

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	17.16	7.19	11.29	9.99	11.15

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
U.S. EQUITY FUND (SRA) SF221

December 31, 2017



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Independent Auditor's Report

To the Contractholders of U.S. Equity Fund (SRA) SF221

We have audited the accompanying financial statements of U.S. Equity Fund (SRA) SF221, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U.S. Equity Fund (SRA) SF221 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

U.S. Equity Fund (SRA) SF221

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	104
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	6,022	10,440
Total investments	6,022	10,440
Total assets	\$ 6,022	\$ 10,544
 Liabilities		
Overdrafts	\$ 2	\$ 104
Due to The Canada Life Assurance Company (note 8)	—	42
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	2	146
Net assets attributable to contractholders	\$ 6,020	\$ 10,398

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 991	\$ 683	—
Miscellaneous income (loss)	—	—	—
Total income			
	991	683	—
 Expenses			
Management fees (note 8)	19	20	—
Other	2	2	—
Total expenses			
	21	22	—
 Net increase (decrease) in net assets from operations attributable to contractholders			
	\$ 970	\$ 661	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
 Net assets attributable to contractholders - beginning of year			
	\$ 10,398	\$ 11,338	—
Contractholder deposits	109	496	—
Contractholder withdrawals	(5,457)	(2,097)	—
Increase (decrease) in net assets from operations attributable to contractholders	970	661	—
Change in net assets attributable to contractholders	(4,378)	(940)	—
 Net assets attributable to contractholders - end of year			
	\$ 6,020	\$ 10,398	—

U.S. Equity Fund (SRA) SF221

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 970	\$ 661
Adjustments		
Realized (gains) losses	17	(10)
Unrealized (gains) losses	(36)	1,287
Gross proceeds of disposition of investments	5,998	2,454
Gross payments for the purchase of investments	(589)	(854)
Change in distribution income of underlying mutual fund	(972)	(1,960)
Change in due from/to The Canada Life Assurance Company	(42)	28
Change in due from/to brokers	104	(61)
	<hr/> 5,450	<hr/> 1,545
Financing Activities		
Contractholder deposits	109	496
Contractholder withdrawals	<hr/> (5,457)	<hr/> (2,097)
	<hr/> (5,348)	<hr/> (1,601)
Net increase (decrease) in cash, short-term deposits and overdrafts	102	(56)
Cash, short-term deposits and overdrafts, beginning of year	(104)	(48)
Cash, short-term deposits and overdrafts, end of year	\$ (2)	\$ (104)

U.S. Equity Fund (SRA) SF221

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Scheer Rowlett US Equity Fund Pooled	835,562	6,800	6,022
Total Investments		6,800	6,022

Top 25 Holdings

Security Description	% of Total
Apple Inc.	3.85%
Alphabet Inc. Class C	3.12%
Microsoft Corp.	2.49%
Exxon Mobil Corp.	2.46%
Johnson & Johnson	1.99%
Facebook Inc.	1.92%
ChevronTexaco Corp.	1.81%
Philip Morris International Inc.	1.75%
McDonald's Corp.	1.65%
JPMorgan Chase & Co.	1.62%
Cash and short-term deposits	1.49%
Priceline Group Inc.	1.48%
Merck & Co. Inc.	1.45%
Procter & Gamble	1.41%
Amazon.com Inc.	1.24%
PepsiCo Inc.	1.17%
United Health Group Inc.	1.17%
Citigroup Inc.	1.17%
Mastercard Inc.	1.13%
Boeing Co.	1.07%
Coca Cola Co.	1.06%
Genpact Ltd.	1.06%
3M Co.	1.05%
Mondelez International Inc.	1.02%
Danaher Corp.	1.01%

U.S. Equity Fund (SRA) SF221

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Group	61,106	114,145	104,182	67,857	67,639	—	—	—	—	—
Prestige/Prestige Plus	4,116	7,549	8,719	7,745	10,417	53	90	100	76	86

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	12.77	11.87	11.41	9.75	8.25	0.90	0.46

U.S. Equity Fund (SRA) SF221

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The U.S. Equity Fund (SRA) SF221 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

U.S. Equity Fund (SRA) SF221

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

U.S. Equity Fund (SRA) SF221

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

U.S. Equity Fund (SRA) SF221
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

U.S. Equity Fund (SRA) SF221

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

U.S. Equity Fund (SRA) SF221

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Prestige/Prestige Plus	3.44	3.42	3.41	3.43	3.41

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	6.51	24.79	15.49	18.33	26.78

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
BALANCED FUND (SRA) SF610

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Balanced Fund (SRA) SF610

We have audited the accompanying financial statements of Balanced Fund (SRA) SF610, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Balanced Fund (SRA) SF610 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Balanced Fund (SRA) SF610

(in Canadian \$ thousands)

Fund Manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	—	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>34,228</u>	<u>57,316</u>
Total investments	<u>34,228</u>	<u>57,316</u>
Total assets	<u><u>\$ 34,228</u></u>	<u><u>\$ 57,316</u></u>
Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>—</u>	<u>—</u>
Net assets attributable to contractholders	<u><u>\$ 34,228</u></u>	<u><u>\$ 57,316</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 4,869	\$ 5,976
Miscellaneous income (loss)	—	—
Total income	<u>4,869</u>	<u>5,976</u>
Expenses		
Management fees (note 8)	632	686
Other	41	64
Total expenses	<u>673</u>	<u>750</u>
Net increase (decrease) in net assets from operations attributable to contractholders	<u><u>\$ 4,196</u></u>	<u><u>\$ 5,226</u></u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
Net assets attributable to contractholders - beginning of year	\$ 57,316	\$ 57,398
Contractholder deposits	593	724
Contractholder withdrawals	(27,877)	(6,032)
Increase (decrease) in net assets from operations attributable to contractholders	<u>4,196</u>	<u>5,226</u>
Change in net assets attributable to contractholders	<u>(23,088)</u>	<u>(82)</u>
Net assets attributable to contractholders - end of year	<u><u>\$ 34,228</u></u>	<u><u>\$ 57,316</u></u>

Balanced Fund (SRA) SF610

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 4,196	\$ 5,226
Adjustments		
Realized (gains) losses	(12,264)	(3,884)
Unrealized (gains) losses	7,396	(2,092)
Gross proceeds of disposition of investments	30,310	10,143
Gross payments for the purchase of investments	(2,354)	(4,085)
	<hr/> 27,284	<hr/> 5,308
Financing Activities		
Contractholder deposits	593	724
Contractholder withdrawals	<hr/> (27,877)	<hr/> (6,032)
	<hr/> (27,284)	<hr/> (5,308)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	—
Cash, short-term deposits and overdrafts, beginning of year	<hr/> —	<hr/> —
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ —	<hr/> \$ —

Balanced Fund (SRA) SF610
Schedule of Investment Portfolio
(in Canadian \$ thousands)

As at December 31, 2017

		<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Bond Fund (SRA) SF199		6,972	9,944
<i>Top 5 holdings:</i>		<u>% of total</u>	
MBS 97507953 1.37% 11-01-2021		7.13%	
MBS 97508630 1.62% 03-01-2022		5.58%	
Canada Housing Trust No. 1 1.55% 09-15-2022		5.32%	
Province of Ontario 5.60% 06-02-2035		4.47%	
Province of Ontario 2.85% 06-02-2023		4.23%	
Canadian Equity Fund (SRA) SF202		6,224	11,941
<i>Top 5 holdings:</i>		<u>% of total</u>	
Royal Bank of Canada		9.70%	
The Toronto-Dominion Bank		9.16%	
Canadian Imperial Bank of Commerce		5.46%	
Canadian National Railway Co.		4.58%	
The Bank of Nova Scotia		4.43%	
European & Pacific Equity Fund (SRA) SF205		2,774	5,237
<i>Top 5 holdings:</i>		<u>% of total</u>	
Tencent Holdings Ltd.		1.86%	
Nestle SA		1.59%	
Roche Holding AG		1.58%	
Diageo PLC		1.24%	
Commonwealth Bank of Australia		1.06%	
Money Market Fund (SRA) SF201		2,106	2,183
<i>Top 5 holdings:</i>		<u>% of total</u>	
Government of Canada 0.00% 02-08-2018		55.67%	
Government of Canada 0.00% 01-25-2018		21.30%	
Canadian Imperial Bank of Commerce 0.00% 01-03-2018		6.65%	
Bank of Montreal 0.00% 01-18-2018		5.86%	
Government of Canada 0.00% 02-22-2018		5.27%	
U.S. Equity Fund (SRA) SF221		2,154	4,923
<i>Top 5 holdings:</i>		<u>% of total</u>	
Apple Inc.		3.85%	
Alphabet Inc. Class C		3.12%	
Microsoft Corp.		2.49%	
Exxon Mobil Corp.		2.46%	
Johnson & Johnson		1.99%	
Total Investments		20,230	34,228

Balanced Fund (SRA) SF610

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Emperor	74,557	75,484	78,655	90,221	110,559	1,651	1,567	1,514	1,723	2,013
Group	1,206,556	2,046,622	2,267,519	3,051,362	3,304,299	—	—	—	—	—
Prestige/Prestige Plus	30,592	37,920	44,978	55,110	66,702	659	767	845	1,029	1,189

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Emperor	22.14	20.76	19.24	19.10	18.20	1.38	1.52
Group	—	—	—	—	—	—	—
Prestige/Prestige Plus	21.54	20.23	18.78	18.67	17.83	1.31	1.45

Balanced Fund (SRA) SF610

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Balanced Fund (SRA) SF610 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in units of other segregated investment funds of The Canada Life Assurance Company. Units are valued based on the closing unit values of the underlying funds.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on the Financial Instrument Risk Management.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

The Fund employs a passive investment strategy whereby investments in underlying funds are based on target asset weightings. The target weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility and asset class diversification. Significant changes to the selection of underlying funds or the target asset weightings attributed to each underlying fund require contractholder notification. To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

Balanced Fund (SRA) SF610
Notes to the Financial Statements
(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments represents the maximum credit risk exposure as at December 31, 2017.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 2 classification.

Balanced Fund (SRA) SF610

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Emperor	3.02	3.02	3.05	3.04	3.04
Prestige/Prestige Plus	3.02	3.02	3.05	3.04	3.04

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	4.55	7.20	7.17	11.50	10.42

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
GLOBAL EQUITY FUND SF034

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Global Equity Fund SF034

We have audited the accompanying financial statements of Global Equity Fund SF034, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Equity Fund SF034 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Global Equity Fund SF034

(in Canadian \$ thousands)

Fund Manager: Setanta Asset Management Limited

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 4,029	\$ 5,332
Investment income due and accrued	123	136
Due from The Canada Life Assurance Company (note 7)	—	—
Due from brokers	—	17
Due from outside parties	20	20
Investments		
Bonds	—	—
Stocks	166,290	147,972
Investment fund units	—	—
Total investments	166,290	147,972
Total assets	\$ 170,462	\$ 153,477
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	21	404
Due to brokers	—	102
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	21	506
Net assets attributable to contractholders	\$ 170,441	\$ 152,971

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 24,123	\$ 14,786	22
Miscellaneous income (loss)	21	—	22
Total income	24,144	14,808	—
Expenses			
Management fees (note 7)	1,861	1,565	—
Transaction costs	61	83	—
Withholding taxes	359	398	—
Other	182	151	—
Total expenses	2,463	2,197	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 21,681	\$ 12,611	—

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 152,971	\$ 147,507	—
Contractholder withdrawals	(31,916)	(22,184)	—
Increase (decrease) in net assets from operations attributable to contractholders	21,681	12,611	—
Change in net assets attributable to contractholders	17,470	5,464	—
Net assets attributable to contractholders - end of year	\$ 170,441	\$ 152,971	—

Global Equity Fund SF034

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 21,681	\$ 12,611
Adjustments		
Realized (gains) losses	(11,036)	(8,484)
Unrealized (gains) losses	(9,891)	(2,066)
Gross proceeds of disposition of investments	32,656	36,919
Gross payments for the purchase of investments	(30,047)	(31,236)
Change in investment income due and accrued	13	(22)
Change in due from/to The Canada Life Assurance Company	(383)	(144)
Change in due from/to brokers	(85)	85
	<hr/> 2,908	<hr/> 7,663
Financing Activities		
Contractholder deposits	27,705	15,037
Contractholder withdrawals	(31,916)	(22,184)
	<hr/> 4,211	<hr/> (7,147)
Net increase (decrease) in cash, short-term deposits and overdrafts	(1,303)	516
Cash, short-term deposits and overdrafts, beginning of year	5,332	4,816
Cash, short-term deposits and overdrafts, end of year	\$ 4,029	\$ 5,332
Supplementary cash flow information		
Dividends received	\$ 3,209	\$ 4,270

Global Equity Fund SF034

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Canadian Common Stock			
Energy			
Imperial Oil Ltd.	11,719	521	460
Financials			
Brookfield Asset Management Inc. Class A limited voting	29,591	938	1,621
Fairfax Financial Holdings Ltd. Sub. voting	5,841	2,854	3,910
Trisura Group Ltd.	230	6	6
Materials			
Sandstorm Gold Ltd. (US Shares)	261,984	1,343	1,645
Total Canadian Common Stock		5,662	7,642
United States Common Stock			
Consumer Discretionary			
Harley-Davidson Inc.	13,107	921	839
Lowe's Companies Inc.	21,145	1,244	2,473
McDonald's Corp.	9,721	1,129	2,106
Nike Inc. Class B	45,848	2,146	3,609
The Cheesecake Factory Inc.	15,719	830	953
The Priceline Group Inc.	642	1,552	1,404
Consumer Staples			
PepsiCo Inc.	10,712	1,037	1,617
Sysco Corp.	17,863	745	1,365
Energy			
Diamond Offshore Drilling Inc.	23,271	959	544
Exxon Mobil Corp.	21,221	2,023	2,234
HollyFrontier Corp.	28,652	1,197	1,847
National Oilwell Varco Inc.	35,013	1,718	1,587
Occidental Petroleum Corp.	21,539	1,955	1,997
Financials			
Berkshire Hathaway Inc. Class B	22,264	2,977	5,554
Federated Investors Inc. Class B	97,198	3,314	4,413
First Citizens BancShares Inc. Class A	4,949	1,191	2,510
Leucadia National Corp.	135,735	3,522	4,525

Global Equity Fund SF034

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
United States Common Stock (continued)			
Financials (continued)			
Markel Corp.	1,671	1,169	2,396
Health Care			
Henry Schein Inc.	19,581	1,514	1,722
Johnson & Johnson Inc.	17,457	1,850	3,070
Pfizer Inc.	9,776	384	446
Quest Diagnostics Inc.	3,367	250	417
Thermo Fisher Scientific Inc.	3,117	506	745
UnitedHealth Group Inc.	4,816	453	1,336
Industrials			
Kennametal Inc.	13,317	513	811
Oshkosh Corp.	47,072	2,131	5,384
Information Technology			
Cisco Systems Inc.	74,199	2,081	3,576
DXC Technology Co.	6,614	401	790
Fair Isaac Corp.	4,136	271	797
Hewlett-Packard Enterprise Co.	84,211	1,033	1,522
HP Inc.	49,801	649	1,317
Keysight Technologies Inc.	51,378	2,256	2,690
Microsoft Corp.	39,107	1,791	4,210
NCR Corp.	28,742	862	1,229
Oracle Corp.	44,496	1,624	2,648
Symantec Corp.	40,733	983	1,438
Materials			
Owens-Illinois Inc.	199,415	5,359	5,564
Resolute Forest Products Inc.	117,294	1,800	1,631
Telecommunication Services			
AT&T Inc.	28,120	1,018	1,376
Utilities			
Exelon Corp.	33,259	1,466	1,650
Total United States Common Stock	58,824	86,342	

Global Equity Fund SF034

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock			
Belgium			
Groupe Bruxelles Lambert SA	17,105	1,827	2,321
Proximus Group	25,703	933	1,062
Bermuda			
Lancashire Holdings Ltd.	270,287	3,196	3,129
Finland			
Fortum OYJ	13,160	311	328
France			
Euler Hermes Group	15,248	1,811	2,804
Pernod Ricard SA	6,909	1,090	1,376
Sanofi SA	17,669	1,796	1,914
Greece			
Hellenic Telecommunications Organization SA	30,719	433	533
Ireland			
C&C Group PLC	251,713	1,204	1,087
CRH PLC	108,708	3,274	4,921
DCC PLC	41,936	2,718	5,316
Johnson Controls International PLC	77,172	3,764	3,701
Kerry Group PLC A	12,101	775	1,708
Medtronic Co. PLC	21,453	2,059	2,180
Mincon Group PLC	708,274	806	1,069
Origin Enterprises PLC	199,952	1,843	1,914
Israel			
Bank Leumi Le-Israel	166,008	533	1,258
Italy			
Eni SPA	85,117	1,878	1,771
Parmalat SPA	188,245	567	881
Terna SPA	110,463	556	807

Global Equity Fund SF034

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock (continued)			
Japan			
Alfresca Holdings Corp.	47,700	1,092	1,409
Astellas Pharma Inc.	34,900	489	558
NTT DoCoMo Inc.	21,500	396	639
Luxembourg			
Tenaris SA	47,990	974	953
Netherlands			
Unilever NV CVA	21,770	1,206	1,539
Portugal			
Redes Energeticas Nacionais SGPS SA	224,393	815	839
South Korea			
Samsung Electronics Co. Ltd.	848	1,067	2,543
SK Telecom Co. Ltd.	1,894	517	596
Sweden			
Telefonaktiebolaget LM Ericsson	301,967	2,435	2,493
Telia Co. AB	103,376	728	579
Switzerland			
Compagnie Financiere Richemont SA	10,297	870	1,173
Novartis AG Registered	14,965	1,548	1,592
The Swatch Group AG B Share	2,003	750	1,028
Taiwan			
Taiwan Semiconductor Manufacturing Co. Ltd. ADR	25,863	557	1,291
Turkey			
Tupras-Turkiye Petrol Rafinerileri AS	14,329	411	578
United Kingdom			
Drax Group PLC	57,810	393	265
J.D. Wetherspoon PLC	70,287	1,043	1,503
Liberty Global PLC Class A	38,925	1,847	1,757
Liberty Global PLC Series C	21,023	1,093	895

Global Equity Fund SF034

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units,</u> <u>Shares or</u> <u>Par Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
Global Common Stock (continued)			
United Kingdom (continued)			
Liberty LiLAC Group A	6,228	284	158
Liberty LiLAC Group C	2,536	122	63
Melrose Industries PLC	926,275	2,298	3,323
Steris PLC	22,238	1,358	2,449
Tesco PLC	412,104	1,849	1,465
Tullow Oil PLC	247,104	945	866
United Utilities Group PLC	38,386	444	541
Vodafone Group PLC	284,296	1,197	1,131
Total Global Common Stock	58,102	72,306	
Total Stocks	122,588	166,290	
Transaction Costs (see notes to financial statements)	(190)		
Total Investments	122,398	166,290	

Global Equity Fund SF034

Notes to the Schedule of Investment Portfolio

(in Canadian \$ thousands)

Introduction

The objective of the Global Equity Fund SF034 (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

Global Equity Fund SF034
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 102,101	\$ 19	\$ 102,120	\$ 1,021
Euro	27,830	(126)	27,704	277
United Kingdom Pound Sterling	17,535	—	17,535	175
Other Currencies	14,448	—	14,448	145
Total	\$ 161,914	\$ (107)	\$ 161,807	\$ 1,618
As Percent of Net Assets Attributable to Contractholders			94.9%	0.9%

*Includes both monetary and non-monetary instruments

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United States Dollar	\$ 95,110	\$ 4	\$ 95,114	\$ 951
Euro	23,028	—	23,028	230
United Kingdom Pound Sterling	15,154	—	15,154	152
Other Currencies	10,086	—	10,086	101
Total	\$ 143,378	\$ 4	\$ 143,382	\$ 1,434
As Percent of Net Assets Attributable to Contractholders			93.7%	0.9%

*Includes both monetary and non-monetary instruments

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$1,663 (\$1,480 at December 31, 2016) or approximately 1.0% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

Global Equity Fund SF034
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

Assets measured at fair value	2017			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 107,546	\$ 58,744	\$ —	\$ 166,290
Total assets measured at fair value	\$ 107,546	\$ 58,744	\$ —	\$ 166,290

Assets measured at fair value	2016			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 100,436	\$ 47,536	\$ —	\$ 147,972
Total assets measured at fair value	\$ 100,436	\$ 47,536	\$ —	\$ 147,972

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for certain non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, non-North American equities are frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of December 31, 2017, these securities were classified as Level 2 (Level 2 at December 31, 2016).

Global Equity Fund SF034

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 3 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	195,768	220,777	241,472	254,637	277,415	20,371	20,467	21,056	19,689	19,183
Generations/Mosaic	1,353,938	1,456,289	1,589,559	1,437,547	1,857,458	16,951	16,243	16,677	13,374	15,454
Generations I	275,100	248,149	234,729	196,010	262,125	5,312	4,264	3,790	2,803	3,349
Generations II	52,823	47,735	64,522	64,023	54,968	921	743	946	834	641
Generations Core	115,324	71,760	86,018	49,989	46,579	2,106	1,164	1,309	673	559
Group	30,363	119,004	157,023	166,392	177,725	—	—	—	—	—
75/75 guarantee policy	203,564	89,394	82,744	48,907	27,760	4,740	1,849	1,606	839	425
75/100 guarantee policy	568,469	339,851	326,235	202,682	319,595	13,010	6,922	6,243	3,436	4,839
100/100 guarantee policy	102,094	56,790	58,607	82,913	102,932	2,291	1,137	1,105	1,389	1,545
PS1 75/75 guarantee policy	86,054	21,520	164	—	—	1,957	433	3	—	—
PS1 75/100 guarantee policy	238,262	161,240	18,065	7,852	1,140	5,327	3,199	336	129	17
PS1 100/100 guarantee policy	14,348	10,597	—	—	—	312	206	—	—	—
PS2 75/75 guarantee policy	35,882	48,569	47,746	35,235	—	932	1,090	977	620	—
PS2 75/100 guarantee policy	119,960	27,126	16,241	6,088	6,268	3,116	609	332	107	96
PS2 100/100 guarantee policy	5,328	—	—	—	—	138	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	104.06	92.70	87.20	77.32	69.15	11.36	5.50
Generations/Mosaic	12.52	11.15	10.49	9.30	8.32	1.37	0.66
Generations I	19.31	17.18	16.15	14.30	12.78	2.13	1.03
Generations II	17.44	15.56	14.66	13.02	11.66	1.88	0.90
Generations Core	18.26	16.22	15.22	13.46	12.00	2.04	1.00
Group	—	—	—	—	—	—	—
75/75 guarantee policy	23.28	20.69	19.41	17.16	15.30	2.59	1.28
75/100 guarantee policy	22.89	20.37	19.14	16.95	15.14	2.52	1.23
100/100 guarantee policy	22.44	20.02	18.86	16.75	15.01	2.42	1.16
PS1 75/75 guarantee policy	22.74	20.11	18.78	—	—	2.63	1.33
PS1 75/100 guarantee policy	22.36	19.84	18.59	16.42	14.62	2.52	1.25
PS1 100/100 guarantee policy	21.78	19.41	—	—	—	2.37	1.86
PS2 75/75 guarantee policy	25.97	22.44	20.46	17.59	—	3.53	1.98
PS2 75/100 guarantee policy	25.98	22.44	20.47	17.60	15.26	3.54	1.97
PS2 100/100 guarantee policy	25.96	—	—	—	—	2.17	—

Global Equity Fund SF034

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Global Equity Fund SF034

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Global Equity Fund SF034
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Global Equity Fund SF034

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

Global Equity Fund SF034
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Global Equity Fund SF034
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Global Equity Fund SF034

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Global Equity Fund SF034

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Portfolio units are those units owned by the Asset Allocation Funds. Each Portfolio fund is represented by a separate category.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Global Equity Fund SF034
Notes to the Financial Statements
(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c)** The Fund invests in assets or underlying funds managed by Setanta Asset Management Limited. All investment transactions with the corresponding underlying funds are at quoted market prices.

Global Equity Fund SF034

Supplemental Information (*unaudited*)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	3.10	3.09	3.09	3.07	3.10
Generations/Mosaic	3.10	3.09	3.09	3.07	3.10
Generations I	2.99	2.98	2.98	2.97	3.00
Generations II	3.26	3.26	3.25	3.24	3.28
Generations Core	2.82	2.82	2.81	2.80	2.84
75/75 guarantee policy	2.81	2.81	2.82	2.80	2.83
75/100 guarantee policy	2.98	2.98	2.98	2.97	3.02
100/100 guarantee policy	3.25	3.25	3.25	3.24	3.25
PS1 75/75 guarantee policy	2.36	2.36	2.37	—	—
PS1 75/100 guarantee policy	2.69	2.69	2.69	2.67	2.69
PS1 100/100 guarantee policy	3.13	3.13	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	18.48	21.66	21.07	24.94	28.28

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
EUROPEAN EQUITY FUND S-037ST

December 31, 2017



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Independent Auditor's Report

To the Contractholders of European Equity Fund S-037ST

We have audited the accompanying financial statements of European Equity Fund S-037ST, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of European Equity Fund S-037ST as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

European Equity Fund S-037ST

(in Canadian \$ thousands)

Fund Manager: Setanta Asset Management Limited

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ 3,893	\$ 1,224
Investment income due and accrued	52	35
Due from The Canada Life Assurance Company (note 7)	8	—
Due from brokers	—	—
Due from outside parties	33	33
Investments		
Bonds	—	—
Stocks	34,586	24,764
Investment fund units	—	—
Total investments	34,586	24,764
Total assets	\$ 38,572	\$ 26,056
 Liabilities		
Overdrafts	\$ —	\$ —
Due to The Canada Life Assurance Company (note 7)	—	29
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	—	29
Net assets attributable to contractholders	\$ 38,572	\$ 26,027

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 4,112	\$ (784)	(784)
Miscellaneous income (loss)	(21)	3	3
Total income	4,091	(781)	(781)
Expenses			
Management fees (note 7)	826	825	825
Transaction costs	42	32	32
Withholding taxes	47	61	61
Other	79	72	72
Total expenses	994	990	990
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 3,097	\$ (1,771)	(1,771)

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
Contractholder deposits	\$ 26,027	\$ 38,475	38,475
Contractholder withdrawals	(4,049)	(14,159)	(14,159)
Increase (decrease) in net assets from operations attributable to contractholders	3,097	(1,771)	(1,771)
Change in net assets attributable to contractholders	12,545	(12,448)	(12,448)
Net assets attributable to contractholders - end of year	\$ 38,572	\$ 26,027	26,027

European Equity Fund S-037ST

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 3,097	\$ (1,771)
Adjustments		
Realized (gains) losses	(444)	(542)
Unrealized (gains) losses	(2,862)	2,478
Gross proceeds of disposition of investments	5,660	11,964
Gross payments for the purchase of investments	(12,176)	(4,726)
Change in investment income due and accrued	(17)	33
Change in due from/to The Canada Life Assurance Company	(37)	86
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(6,779)	7,522
Financing Activities		
Contractholder deposits	13,497	3,482
Contractholder withdrawals	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	(4,049)	(14,159)
	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	9,448	(10,677)
Net increase (decrease) in cash, short-term deposits and overdrafts	2,669	(3,155)
Cash, short-term deposits and overdrafts, beginning of year	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: none; border-left: none; border-right: none;"/>
	1,224	4,379
Cash, short-term deposits and overdrafts, end of year	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>	<hr style="border-top: 1px solid black; border-bottom: 3px double black; border-left: none; border-right: none;"/>
	\$ 3,893	\$ 1,224
Supplementary cash flow information		
Dividends received	\$ 789	\$ 1,192

European Equity Fund S-037ST

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	<u>No. of Units, Shares or Par Value</u>	<u>Average Cost</u>	<u>Fair Value</u>
Global Common Stock			
Belgium			
Groupe Bruxelles Lambert SA	17,385	1,792	2,359
Proximus Group	20,259	800	837
Bermuda			
Lancashire Holdings Ltd.	87,438	1,103	1,012
Finland			
Fortum OYJ	22,611	552	563
France			
Sanofi SA	10,016	1,104	1,085
Ireland			
Bank of Ireland PLC	77,735	807	837
Bank of Ireland Group PLC	10,380	106	111
C&C Group PLC	141,210	741	610
CRH PLC	21,528	827	975
DCC PLC	17,670	1,359	2,240
Kingspan Group PLC	14,388	381	790
Origin Enterprises PLC	173,818	1,667	1,664
Ryanair Holdings PLC ADR	6,663	825	874
Italy			
Eni SPA	30,808	725	641
Netherlands			
Unilever NV CVA	16,936	1,129	1,197
Spain			
Merlin Properties Socimi SA REIT	58,538	856	997
Sweden			
Telefonaktiebolaget LM Ericsson	233,020	1,815	1,924
Switzerland			
Novartis AG Registered	11,426	1,062	1,216
The Swatch Group AG B Share	2,304	1,176	1,182

European Equity Fund S-037ST

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units, shares or par value)

As at December 31, 2017

	No. of Units, Shares or Par Value	Average Cost	Fair Value
Global Common Stock (continued)			
United Kingdom			
BP PLC	76,391	595	678
Diageo PLC	57,700	2,003	2,658
Fenner PLC	196,301	771	1,332
GlaxoSmithKline PLC	45,052	1,207	1,003
Liberty Global PLC Series C	25,622	1,453	1,091
LSL Property Services PLC	270,681	1,581	1,271
Melrose Industries PLC	583,956	1,488	2,095
Smiths Group PLC	47,882	1,088	1,205
United Utilities Group PLC	48,767	798	687
Vodafone Group PLC	365,450	1,534	1,452
Total Global Common Stock	31,345		34,586
Total Stocks	31,345		34,586
Transaction Costs (see notes to financial statements)	(133)		
Total Investments	31,212		34,586

European Equity Fund S-037ST
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

Introduction

The objective of the European Equity Fund S-037ST (the Fund) in managing risk is the creation and protection of contractholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund can be exposed to liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and credit risk arising from the financial instruments it holds.

A. Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017, and groups the securities by asset type, geographic region and/or market segment. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, The Canada Life Assurance Company (the Company) maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and other regulations.

B. Liquidity Risk

Liquidity risk arises when a fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units by contractholders. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity to meet the obligation to fund daily cash redemptions of their redeemable units.

Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a fund to sell such securities quickly.

In accordance with the Fund's policy, the Company monitors the Fund's liquidity positions on a regular basis.

C. Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The classifications used on the Schedule of Investment Portfolio for the financial instruments are based on the country of issue.

European Equity Fund S-037ST
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

C. Currency Risk (continued)

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31 in Canadian dollar terms, including the underlying principal amount of forward currency contracts, if any. The table also illustrates the potential impact to the Fund's net assets attributable to contractholders, all other variables held constant, as a result of a 1% change in these currencies relative to the Canadian dollar. In practice, the actual results may differ from this sensitivity analysis and the difference could be significant.

2017

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United Kingdom Pound Sterling	\$ 15,631	\$ —	\$ 15,631	\$ 156
Euro	12,668	—	12,668	127
Swiss Franc	2,398	—	2,398	24
United States Dollar	1,965	—	1,965	20
Swedish Krona	1,924	—	1,924	19
Total	\$ 34,586	\$ —	\$ 34,586	\$ 346
As Percent of Net Assets Attributable to Contractholders			89.7%	0.9%

**Includes both monetary and non-monetary instruments*

2016

Currency	Investments	Cash, Short-term Deposits and Overdrafts	Total*	Impact on Net Assets Attributable to Contractholders
United Kingdom Pound Sterling	\$ 12,458	\$ —	\$ 12,458	\$ 125
Euro	9,711	—	9,711	97
Swiss Franc	1,597	—	1,597	16
Other Currencies	998	1	999	10
Total	\$ 24,764	\$ 1	\$ 24,765	\$ 248
As Percent of Net Assets Attributable to Contractholders			95.2%	1.0%

**Includes both monetary and non-monetary instruments*

D. Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Fund Manager moderates this risk through careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

For the Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2017, had the prices on the respective stock exchanges for these securities raised (or lowered) by 1%, with all other variables held constant, assets would have increased (or decreased) by approximately \$346 (\$248 at December 31, 2016) or approximately 0.9% (1.0% at December 31, 2016) of total net assets attributable to contractholders. In practice, the actual results may differ and the difference could be significant.

European Equity Fund S-037ST
Notes to the Schedule of Investment Portfolio
(in Canadian \$ thousands)

E. Fair Value Classification

The following table presents information about the Fund's assets measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Fund to determine such fair value:

	2017				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 1,965	\$ 32,621	\$ —	\$ 34,586	
Total assets measured at fair value	\$ 1,965	\$ 32,621	\$ —	\$ 34,586	

	2016				Assets Measured at Fair Value
	Level 1	Level 2	Level 3	Total	
Assets measured at fair value					
Stocks	\$ 2,156	\$ 22,608	\$ —	\$ 24,764	
Total assets measured at fair value	\$ 2,156	\$ 22,608	\$ —	\$ 24,764	

In accordance with the Fund's valuation policy, the Fund applies fair value adjustment factors to the quoted market prices for certain non-North American equities when North American intraday stock market movements exceed predetermined tolerances. The adjustment factors are applied in order to estimate the impact on fair values of events occurring between the close of the non-North American stock markets and the close of business for the Fund. If fair value adjustment factors are applied, non-North American equities are classified as Level 2. Consequently, non-North American equities are frequently transferred between Level 1 (unadjusted quoted market prices) and Level 2 (adjusted market prices). As of December 31, 2017, these securities were classified as Level 2 (Level 2 at December 31, 2016).

European Equity Fund S-037ST

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Flex	184,837	195,083	231,603	236,039	255,873	4,948	4,667	5,755	4,733	5,218
Generations/Mosaic	762,415	649,001	912,985	805,472	1,007,808	9,898	7,531	11,003	7,833	9,968
Generations I	143,798	155,835	201,296	188,402	176,279	2,003	1,940	2,602	1,964	1,869
Generations II	46,955	65,036	137,426	44,013	61,427	596	741	1,631	423	602
Generations Core	45,979	51,141	69,723	44,786	31,907	615	610	863	446	323
Group	44,904	43,477	85,496	33,236	34,596	—	—	—	—	—
75/75 guarantee policy	134,438	97,556	150,413	137,268	23,568	2,383	1,543	2,467	1,813	316
75/100 guarantee policy	416,066	249,150	482,193	237,419	292,625	7,272	3,891	7,819	3,106	3,892
100/100 guarantee policy	186,551	45,069	120,617	18,526	13,795	3,162	685	1,910	238	180
PS1 75/75 guarantee policy	60,367	12,880	13,258	—	3,754	1,222	232	246	—	57
PS1 75/100 guarantee policy	158,737	110,463	34,112	14,612	1,654	3,159	1,959	627	216	25
PS1 100/100 guarantee policy	44,284	20,117	—	—	—	858	349	—	—	—
PS2 75/75 guarantee policy	8,745	5,938	6,235	7,979	—	203	119	126	127	—
PS2 75/100 guarantee policy	28,985	21,235	14,795	2,950	2,034	672	427	300	47	32
PS2 100/100 guarantee policy	—	—	17,012	—	—	—	—	344	—	—

Net Assets Attributable to Contractholders Per Unit (note 6)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Flex	26.77	23.92	24.85	20.05	20.39	2.85	(0.93)
Generations/Mosaic	12.98	11.60	12.05	9.72	9.89	1.38	(0.45)
Generations I	13.93	12.45	12.93	10.43	10.60	1.48	(0.48)
Generations II	12.70	11.39	11.87	9.61	9.81	1.31	(0.48)
Generations Core	13.37	11.93	12.37	9.97	10.12	1.44	(0.44)
Group	—	—	—	—	—	—	—
75/75 guarantee policy	17.72	15.82	16.40	13.21	13.42	1.90	(0.58)
75/100 guarantee policy	17.48	15.62	16.22	13.08	13.30	1.86	(0.60)
100/100 guarantee policy	16.95	15.20	15.84	12.82	13.08	1.75	(0.64)
PS1 75/75 guarantee policy	20.25	17.99	18.57	—	15.05	2.26	(0.58)
PS1 75/100 guarantee policy	19.90	17.73	18.37	14.78	14.99	2.17	(0.64)
PS1 100/100 guarantee policy	19.39	17.35	—	—	—	2.04	(0.09)
PS2 75/75 guarantee policy	23.17	20.10	20.26	15.86	—	3.07	(0.16)
PS2 75/100 guarantee policy	23.18	20.10	20.26	15.86	15.66	3.08	(0.16)
PS2 100/100 guarantee policy	—	—	20.25	—	—	—	—

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Fund is offered by The Canada Life Assurance Company.

The Company is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in fair value measurements in the notes to the Schedule of Investment Portfolio.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Stocks

Stocks are recorded at fair value determined with reference to closing quoted market prices, where the last traded price falls within the day's bid-ask spread, primarily provided by third party independent pricing sources. Fair values are determined on the basis of the closing price for a security on the recognized exchange on which it is principally traded at each reporting date. In circumstances where the last traded price is not within the bid-ask spread, the Company determines the point when the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of unlisted securities is established using quotations determined by a major dealer in a particular security. Should the quoted value for a security, in the opinion of the Fund Manager, be inaccurate, unreliable, or not readily available, the value of the security is estimated using valuation techniques. Valuation techniques include the market approach (using recent arm's-length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

Dividend revenue - accrued as of the ex-dividend date and recorded on the accrual basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

Miscellaneous income (loss)

Miscellaneous income (loss) includes the changes in foreign exchange rates between trade and settlement dates, foreign exchange rates on bank balances, securities lending income, derivative income, and management fee rebates.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes dividend income, realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund are charged to expenses in the year.

n) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

3. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

4. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

5. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

European Equity Fund S-037ST

Notes to the Financial Statements

(in Canadian \$ thousands)

6. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

7. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- c) The Fund invests in assets or underlying funds managed by Setanta Asset Management Limited. All investment transactions with the corresponding underlying funds are at quoted market prices.

European Equity Fund S-037ST

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Flex	3.04	3.01	3.02	3.01	3.04
Generations/Mosaic	3.03	3.02	3.02	3.01	3.04
Generations I	3.01	2.98	2.98	2.97	3.01
Generations II	3.36	3.35	3.35	3.31	3.39
Generations Core	2.87	2.85	2.85	2.84	2.88
75/75 guarantee policy	2.86	2.85	2.85	2.84	2.89
75/100 guarantee policy	2.99	3.00	2.99	2.98	3.02
100/100 guarantee policy	3.34	3.36	3.34	3.34	3.38
PS1 75/75 guarantee policy	2.41	2.39	2.40	—	2.44
PS1 75/100 guarantee policy	2.74	2.72	2.73	2.71	2.75
PS1 100/100 guarantee policy	3.17	3.16	—	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	17.89	19.55	32.25	35.67	20.74

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INDEXED CANADIAN BOND FUND (TDQC) SF079

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Indexed Canadian Bond Fund (TDQC) SF079

We have audited the accompanying financial statements of Indexed Canadian Bond Fund (TDQC) SF079, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Indexed Canadian Bond Fund (TDQC) SF079 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Indexed Canadian Bond Fund (TDQC) SF079

(in Canadian \$ thousands)

Fund Manager: TD Asset Management Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ 166
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	36
Due from brokers	9	—
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	29,796	43,950
Total investments	29,796	43,950
Total assets	\$ 29,805	\$ 44,152
Liabilities		
Overdrafts	\$ 33	\$ —
Due to The Canada Life Assurance Company (note 8)	7	—
Due to brokers	—	10
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	40	10
Net assets attributable to contractholders	\$ 29,765	\$ 44,142

Statement of Comprehensive Income

	For the years ended	December 31 2017	December 31 2016
Income			
Net gain (loss) on investments	\$ 1,027	\$ 1,203	—
Miscellaneous income (loss)	—	—	—
Total income	1,027	1,203	—
Expenses			
Management fees (note 8)	541	628	—
Other	58	69	—
Total expenses	599	697	—
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 428	\$ 506	506

Statement of Changes in Net Assets Attributable to Contractholders

	For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year			
	\$ 44,142	\$ 66,163	—
Contractholder deposits	2,354	5,862	—
Contractholder withdrawals	(17,159)	(28,389)	—
Increase (decrease) in net assets from operations attributable to contractholders	428	506	—
Change in net assets attributable to contractholders	(14,377)	(22,021)	—
Net assets attributable to contractholders - end of year	\$ 29,765	\$ 44,142	506

Indexed Canadian Bond Fund (TDQC) SF079

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 428	\$ 506
Adjustments		
Realized (gains) losses	(142)	(1,124)
Unrealized (gains) losses	303	1,693
Gross proceeds of disposition of investments	16,540	28,414
Gross payments for the purchase of investments	(1,360)	(4,976)
Change in distribution income of underlying mutual fund	(1,187)	(1,772)
Change in due from/to The Canada Life Assurance Company	43	(59)
Change in due from/to brokers	(19)	141
	14,606	22,823
Financing Activities		
Contractholder deposits	2,354	5,862
Contractholder withdrawals	(17,159)	(28,389)
	(14,805)	(22,527)
Net increase (decrease) in cash, short-term deposits and overdrafts	(199)	296
Cash, short-term deposits and overdrafts, beginning of year	166	(130)
Cash, short-term deposits and overdrafts, end of year	\$ (33)	166

Indexed Canadian Bond Fund (TDQC) SF079

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
TD Emerald Canadian Bond Index Fund Class B	2,336,276	29,793	29,796
Total Investments		29,793	29,796

Top 25 Holdings

Security Description	% of Total
Government of Canada 1.75% 09-01-2019	1.37%
Government of Canada 1.50% 03-01-2020	1.33%
Government of Canada 4.00% 06-01-2041	1.17%
Government of Canada 0.75% 09-01-2020	1.16%
Government of Canada 0.50% 02-01-2019	1.14%
Government of Canada 5.75% 06-01-2029	1.10%
Government of Canada 2.75% 12-01-2048	1.02%
Government of Canada 0.50% 03-01-2022	1.01%
Government of Canada 3.50% 06-01-2020	0.98%
Province of Ontario 2.90% 12-02-2046	0.98%
Government of Canada 1.50% 06-01-2023	0.97%
Government of Canada 2.75% 06-01-2022	0.95%
Government of Canada 3.75% 06-01-2019	0.94%
Government of Canada 3.50% 12-01-2045	0.94%
Government of Canada 3.25% 06-01-2021	0.92%
Government of Canada 1.75% 03-01-2019	0.90%
Canada Housing Trust No. 1 2.00% 12-15-2019	0.86%
Government of Canada 0.75% 09-01-2021	0.86%
Province of Ontario 2.60% 06-02-2025	0.84%
Province of Ontario 3.45% 06-02-2045	0.84%
Province of Ontario 3.50% 06-02-2024	0.81%
Government of Canada 5.00% 06-01-2037	0.81%
Province of Ontario 3.15% 06-02-2022	0.81%
Canada Housing Trust No. 1 1.95% 06-15-2019	0.79%
Government of Canada 5.75% 06-01-2033	0.79%

Indexed Canadian Bond Fund (TDQC) SF079

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	367,464	445,109	516,871	595,745	773,359	6,321	7,654	8,970	10,229	12,507
Generations I	223,662	302,830	292,815	280,410	413,495	2,966	4,003	3,896	3,681	5,099
Generations II	44,555	53,891	61,650	63,445	67,981	559	675	778	791	797
Generations Core	99,745	129,470	134,915	132,210	132,123	1,271	1,643	1,723	1,665	1,562
Group	240,559	563,494	1,217,379	1,433,947	1,483,173	—	—	—	—	—
75/75 guarantee policy	143,238	187,257	219,968	174,336	190,830	1,683	2,192	2,590	2,024	2,080
75/100 guarantee policy	264,361	322,926	497,588	417,144	505,656	3,089	3,762	5,835	4,826	5,495
100/100 guarantee policy	189,086	210,665	196,201	142,823	229,927	2,195	2,441	2,290	1,647	3,504
PS1 75/75 guarantee policy	70,938	67,097	—	—	—	778	728	—	—	—
PS1 75/100 guarantee policy	248,731	241,141	10,112	7,989	11,451	2,721	2,612	109	85	113
PS1 100/100 guarantee policy	33,848	12,572	388	—	—	367	135	4	—	—
PS2 75/75 guarantee policy	887	16,903	37,043	57,370	69,799	11	196	422	632	706
PS2 75/100 guarantee policy	27,699	30,873	8,252	1,821	—	328	357	94	20	—
PS2 100/100 guarantee policy	35,410	26,270	12,321	—	—	419	303	140	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	17.20	17.20	17.35	17.17	16.17	—	(0.15)
Generations I	13.26	13.22	13.31	13.13	12.33	0.04	(0.09)
Generations II	12.55	12.52	12.62	12.46	11.72	0.03	(0.10)
Generations Core	12.74	12.69	12.77	12.59	11.82	0.05	(0.08)
Group	—	—	—	—	—	—	—
75/75 guarantee policy	11.75	11.71	11.77	11.61	10.90	0.04	(0.06)
75/100 guarantee policy	11.69	11.65	11.73	11.57	10.87	0.04	(0.08)
100/100 guarantee policy	11.61	11.59	11.67	11.53	10.84	0.02	(0.08)
PS1 75/75 guarantee policy	10.96	10.85	—	—	—	0.11	(0.05)
PS1 75/100 guarantee policy	10.94	10.83	10.82	10.60	9.89	0.11	0.01
PS1 100/100 guarantee policy	10.85	10.75	10.75	—	—	0.10	—
PS2 75/75 guarantee policy	11.86	11.57	11.40	11.01	10.12	0.29	0.17
PS2 75/100 guarantee policy	11.84	11.55	11.38	10.99	—	0.29	0.17
PS2 100/100 guarantee policy	11.84	11.55	11.38	—	—	0.29	0.17

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Indexed Canadian Bond Fund (TDQC) SF079 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management and other fees for Preferred Series 2 categories are charged directly to the contractholder by redeeming units from their policy. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Indexed Canadian Bond Fund (TDQC) SF079

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Indexed Canadian Bond Fund (TDQC) SF079

Supplemental Information (unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	2.41	2.41	2.42	2.42	2.42
Generations I	2.14	2.13	2.14	2.15	2.14
Generations II	2.25	2.24	2.25	2.26	2.25
Generations Core	2.08	2.08	2.08	2.09	2.09
75/75 guarantee policy	2.08	2.08	2.09	2.09	2.09
75/100 guarantee policy	2.14	2.14	2.14	2.15	2.14
100/100 guarantee policy	2.25	2.24	2.25	2.26	2.25
PS1 75/75 guarantee policy	1.38	1.37	—	—	—
PS1 75/100 guarantee policy	1.44	1.41	1.43	1.44	1.44
PS1 100/100 guarantee policy	1.54	1.52	1.55	—	—

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	3.50	9.26	11.00	10.25	10.71

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INDEXED BALANCED FUND (TDQC) SF080

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Indexed Balanced Fund (TDQC) SF080

We have audited the accompanying financial statements of Indexed Balanced Fund (TDQC) SF080, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Indexed Balanced Fund (TDQC) SF080 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Indexed Balanced Fund (TDQC) SF080

(in Canadian \$ thousands)

Fund Manager: TD Asset Management Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	1	8
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>5,600</u>	<u>9,032</u>
Total investments	<u>5,600</u>	<u>9,032</u>
Total assets	<u>\$ 5,601</u>	<u>\$ 9,040</u>
Liabilities		
Overdrafts	\$ 7	\$ 8
Due to The Canada Life Assurance Company (note 8)	—	2
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	7	10
Net assets attributable to contractholders	<u>\$ 5,594</u>	<u>\$ 9,030</u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 565	\$ 710
Miscellaneous income (loss)	—	—
Total income	565	710
Expenses		
Management fees (note 8)	79	87
Other	9	10
Total expenses	88	97
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 477	\$ 613

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 9,030	\$ 9,030	\$ 9,584
Contractholder deposits	24	477
Contractholder withdrawals	(3,937)	(1,644)
Increase (decrease) in net assets from operations attributable to contractholders	477	613
Change in net assets attributable to contractholders	(3,436)	(554)
Net assets attributable to contractholders - end of year	\$ 5,594	\$ 9,030

Indexed Balanced Fund (TDQC) SF080

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 477	\$ 613
Adjustments		
Realized (gains) losses	(505)	(184)
Unrealized (gains) losses	183	(96)
Gross proceeds of disposition of investments	4,058	1,617
Gross payments for the purchase of investments	(61)	(353)
Change in distribution income of underlying mutual fund	(243)	(430)
Change in due from/to The Canada Life Assurance Company	(2)	—
Change in due from/to brokers	7	4
	3,914	1,171
Financing Activities		
Contractholder deposits	24	477
Contractholder withdrawals	(3,937)	(1,644)
	(3,913)	(1,167)
Net increase (decrease) in cash, short-term deposits and overdrafts	1	4
Cash, short-term deposits and overdrafts, beginning of year	(8)	(12)
Cash, short-term deposits and overdrafts, end of year	\$ (7)	\$ (8)

Indexed Balanced Fund (TDQC) SF080

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
TD Emerald Balanced Fund Class B	301,665	4,872	5,600
Total Investments		4,872	5,600

Top Holdings

Underlying fund: Emerald Canadian Bond Index Fund

Security Description	% of Total
Government of Canada 1.75% 09-01-2019	1.37%
Government of Canada 1.50% 03-01-2020	1.33%
Government of Canada 4.00% 06-01-2041	1.17%
Government of Canada 0.75% 09-01-2020	1.16%
Government of Canada 0.50% 02-01-2019	1.14%

Underlying fund: Emerald Canadian Equity Index Fund

Security Description	% of Total
Royal Bank of Canada	6.63%
The Toronto-Dominion Bank	6.03%
The Bank of Nova Scotia	4.37%
Enbridge Inc.	3.69%
Canadian National Railway Co.	3.44%

Underlying fund: Emerald U.S. Market Index Fund

Security Description	% of Total
Apple Inc.	3.80%
Microsoft Corp.	2.88%
Amazon.com Inc.	2.04%
Facebook Inc.	1.84%
Berkshire Hathaway Inc.	1.67%

Indexed Balanced Fund (TDQC) SF080

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
--	-------------------------	-------------------------	-----------------------

Top Holdings (continued)

Underlying fund: Emerald International Equity Index Fund

Security Description	% of Total
Nestle SA	1.75%
iShares MSCI EAFE ETF	1.48%
HSBC Holdings PLC	1.36%
United States Dollar	1.29%
Novartis AG	1.23%

Underlying fund: Emerald Canadian Short Term Investment Fund

Security Description	% of Total
Cash and short-term notes	3.27%
Bank of Montreal 3.21% 09-13-2018	1.71%
Bank of Montreal 0.00% 06-06-2018	1.68%
bclMC Realty Corp. 2.79% 08-02-2018	1.52%
Royal Bank of Canada 3.77% 03-30-2018	1.49%

Indexed Balanced Fund (TDQC) SF080

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	82,466	95,781	108,922	123,037	143,948	1,598	1,756	1,904	2,110	2,286
Generations I	1,180	1,097	1,009	1,208	1,114	18	15	14	16	14
Group	97,038	215,998	245,042	189,394	185,209	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	19.38	18.33	17.48	17.15	15.88	1.05	0.85
Generations I	14.91	14.10	13.43	13.17	12.19	0.81	0.67
Group	—	—	—	—	—	—	—

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Indexed Balanced Fund (TDQC) SF080 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Indexed Balanced Fund (TDQC) SF080
Notes to the Financial Statements
(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Indexed Balanced Fund (TDQC) SF080

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Indexed Balanced Fund (TDQC) SF080

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	2.60	2.63	2.63	2.64	2.64
Generations I	2.54	2.57	2.58	2.58	2.58

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	0.82	3.82	12.48	12.49	18.82

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INDEX INTERNATIONAL EQUITY FUND (TDQC) SF081

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Index International Equity Fund (TDQC) SF081

We have audited the accompanying financial statements of Index International Equity Fund (TDQC) SF081, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Index International Equity Fund (TDQC) SF081 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Index International Equity Fund (TDQC) SF081

(in Canadian \$ thousands)

Fund Manager: TD Asset Management Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	1	2
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	<u>2,324</u>	2,151
Total investments	<u>2,324</u>	2,151
Total assets	<u><u>\$ 2,325</u></u>	<u><u>\$ 2,153</u></u>
 Liabilities		
Overdrafts	\$ 3	\$ 43
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	<u>3</u>	<u>43</u>
Net assets attributable to contractholders	<u><u>\$ 2,322</u></u>	<u><u>\$ 2,110</u></u>

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 336	\$ (99)
Miscellaneous income (loss)	—	—
Total income	<u>336</u>	<u>(99)</u>
 Expenses		
Management fees (note 8)	28	30
Other	3	3
Total expenses	<u>31</u>	<u>33</u>
 Net increase (decrease) in net assets from operations attributable to contractholders	<u>\$ 305</u>	<u>\$ (132)</u>

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 2,110	\$ 2,916	
Contractholder deposits	154	17
Contractholder withdrawals	(247)	(691)
Increase (decrease) in net assets from operations attributable to contractholders	305	(132)
Change in net assets attributable to contractholders	212	(806)
 Net assets attributable to contractholders - end of year	<u><u>\$ 2,322</u></u>	<u><u>\$ 2,110</u></u>

Index International Equity Fund (TDQC) SF081

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 305	\$ (132)
Adjustments		
Realized (gains) losses	(67)	(60)
Unrealized (gains) losses	(194)	222
Gross proceeds of disposition of investments	452	752
Gross payments for the purchase of investments	(291)	(128)
Change in distribution income of underlying mutual fund	(73)	(63)
Change in due from/to The Canada Life Assurance Company	—	42
Change in due from/to brokers	1	3
	<hr/> 133	<hr/> 636
Financing Activities		
Contractholder deposits	154	17
Contractholder withdrawals	(247)	(691)
	<hr/> (93)	<hr/> (674)
Net increase (decrease) in cash, short-term deposits and overdrafts	40	(38)
Cash, short-term deposits and overdrafts, beginning of year	(43)	(5)
Cash, short-term deposits and overdrafts, end of year	\$ (3)	\$ (43)

Index International Equity Fund (TDQC) SF081

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
TD Emerald International Equity Index Fund Class B	134,554	1,942	2,324
Total Investments		1,942	2,324

Top 25 Holdings

Security Description	% of Total
Nestle SA	1.75%
iShares MSCI EAFE ETF	1.48%
HSBC Holdings PLC	1.36%
United States Dollar	1.29%
Novartis AG	1.23%
Roche Holding AG	1.16%
Toyota Motor Corp	1.09%
British American Tobacco PLC	1.02%
Royal Dutch Shell PLC	0.99%
BP PLC	0.91%
TOTAL SA	0.87%
Royal Dutch Shell PLC	0.83%
SAP SE	0.72%
Commonwealth Bank of Australia	0.71%
Siemens AG	0.70%
Banco Santander SA	0.69%
Allianz SE	0.67%
Bayer AG	0.67%
AIA Group Ltd.	0.67%
BASF SE	0.66%
Novo Nordisk AS	0.66%
Sanofi SA	0.64%
Diageo PLC	0.61%
Unilever NV	0.60%
GlaxoSmithKline PLC	0.58%

Index International Equity Fund (TDQC) SF081

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	58,944	67,999	104,116	118,905	149,708	692	704	1,134	1,118	1,395
Generations I	1,570	1,573	2,332	4,437	8,456	20	18	28	46	86
Group	76,200	76,382	92,696	74,586	102,082	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	11.75	10.36	10.89	9.40	9.32	1.39	(0.53)
Generations I	12.87	11.34	11.92	10.29	10.19	1.53	(0.58)
Group	—	—	—	—	—	—	—

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Index International Equity Fund (TDQC) SF081 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

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Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Index International Equity Fund (TDQC) SF081

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Index International Equity Fund (TDQC) SF081

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	2.81	2.83	2.81	2.83	2.84
Generations I	2.75	2.77	2.75	2.78	2.79

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	13.04	5.59	20.39	12.14	24.12

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INDEXED U.S. EQUITY FUND (TDQC) SF119

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Indexed U.S. Equity Fund (TDQC) SF119

We have audited the accompanying financial statements of Indexed U.S. Equity Fund (TDQC) SF119, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Indexed U.S. Equity Fund (TDQC) SF119 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Indexed U.S. Equity Fund (TDQC) SF119

(in Canadian \$ thousands)

Fund Manager: TD Asset Management Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	1	27
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	8,106	10,027
Total investments	8,106	10,027
Total assets	\$ 8,107	\$ 10,054
Liabilities		
Overdrafts	\$ 28	\$ 28
Due to The Canada Life Assurance Company (note 8)	4	2
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	32	30
Net assets attributable to contractholders	\$ 8,075	\$ 10,024

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 1,239	\$ 573
Miscellaneous income (loss)	—	—
Total income	1,239	573
Expenses		
Management fees (note 8)	84	86
Other	9	9
Total expenses	93	95
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 1,146	478

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 10,024	\$ 12,781	
Contractholder deposits	28	92
Contractholder withdrawals	(3,123)	(3,327)
Increase (decrease) in net assets from operations attributable to contractholders	1,146	478
Change in net assets attributable to contractholders	(1,949)	(2,757)
Net assets attributable to contractholders - end of year	\$ 8,075	\$ 10,024

Indexed U.S. Equity Fund (TDQC) SF119

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 1,146	\$ 478
Adjustments		
Realized (gains) losses	(1,469)	(1,365)
Unrealized (gains) losses	365	979
Gross proceeds of disposition of investments	4,104	4,500
Gross payments for the purchase of investments	(944)	(1,172)
Change in distribution income of underlying mutual fund	(135)	(187)
Change in due from/to The Canada Life Assurance Company	2	(1)
Change in due from/to brokers	26	(1)
	<hr/> 3,095	<hr/> 3,231
Financing Activities		
Contractholder deposits	28	92
Contractholder withdrawals	<hr/> (3,123)	<hr/> (3,327)
	<hr/> (3,095)	<hr/> (3,235)
Net increase (decrease) in cash, short-term deposits and overdrafts	—	(4)
Cash, short-term deposits and overdrafts, beginning of year	<hr/> (28)	<hr/> (24)
Cash, short-term deposits and overdrafts, end of year	<hr/> \$ (28)	<hr/> \$ (28)

Indexed U.S. Equity Fund (TDQC) SF119

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
TD Emerald U.S. Market Index Fund Class B	330,816	5,169	8,106
Total Investments		5,169	8,106
Top 25 Holdings			
Security Description		% of Total	
Apple Inc.		3.80%	
Microsoft Corp.		2.88%	
Amazon.com Inc.		2.04%	
Facebook Inc.		1.84%	
Berkshire Hathaway Inc.		1.67%	
Johnson & Johnson		1.64%	
JPMorgan Chase & Co.		1.62%	
Exxon Mobil Corp.		1.55%	
Alphabet Inc.		1.38%	
Alphabet Inc.		1.37%	
Bank of America Corp.		1.25%	
Wells Fargo & Co.		1.17%	
AT&T Inc.		1.04%	
Chevron Corp.		1.04%	
Procter & Gamble Co.		1.02%	
The Home Depot Inc.		0.97%	
Intel Corp.		0.94%	
Pfizer Inc.		0.94%	
Verizon Communications Inc.		0.94%	
UnitedHealth Group Inc.		0.93%	
Visa Inc.		0.90%	
Citigroup Inc.		0.86%	
Cisco Systems Inc.		0.83%	
Comcast Corp.		0.82%	
Coca-Cola Co.		0.77%	

Indexed U.S. Equity Fund (TDQC) SF119

(in Canadian \$ thousands, except per unit amounts)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	66,964	75,966	90,384	101,522	130,128	963	991	1,125	1,070	1,142
Generations I	337	337	337	638	2,837	7	7	6	10	37
Group	257,398	357,955	486,011	637,424	581,244	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	14.38	13.05	12.45	10.54	8.78	1.33	0.60
Generations I	21.28	19.31	18.42	15.60	12.99	1.97	0.89
Group	—	—	—	—	—	—	—

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

1. THE FUND

The Indexed U.S. Equity Fund (TDQC) SF119 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

Indexed U.S. Equity Fund (TDQC) SF119

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Indexed U.S. Equity Fund (TDQC) SF119

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

Indexed U.S. Equity Fund (TDQC) SF119

Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

Indexed U.S. Equity Fund (TDQC) SF119
Notes to the Financial Statements
(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a)** The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b)** The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

Indexed U.S. Equity Fund (TDQC) SF119

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

Indexed U.S. Equity Fund (TDQC) SF119

Supplemental Information *(unaudited)*

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	2.82	2.84	2.84	2.86	2.87
Generations I	2.80	2.84	2.84	2.86	2.87

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	9.94	11.52	22.14	16.06	19.18

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Financial Statements of
THE CANADA LIFE ASSURANCE COMPANY
INDEXED CANADIAN EQUITY FUND (TDQC) SF120

December 31, 2017



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Independent Auditor's Report

To the Contractholders of Indexed Canadian Equity Fund (TDQC) SF120

We have audited the accompanying financial statements of Indexed Canadian Equity Fund (TDQC) SF120, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Indexed Canadian Equity Fund (TDQC) SF120 as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

Indexed Canadian Equity Fund (TDQC) SF120

(in Canadian \$ thousands)

Fund Manager: TD Asset Management Inc.

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Canada Life Assurance Company (note 8)	—	—
Due from brokers	1	41
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	10,238	13,629
Total investments	10,238	13,629
Total assets	\$ 10,239	\$ 13,670
 Liabilities		
Overdrafts	\$ 43	\$ 41
Due to The Canada Life Assurance Company (note 8)	—	—
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	43	41
Net assets attributable to contractholders	\$ 10,196	\$ 13,629

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 968	\$ 2,527
Miscellaneous income (loss)	—	—
Total income	968	2,527
 Expenses		
Management fees (note 8)	155	167
Other	18	19
Total expenses	173	186
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 795	\$ 2,341

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year		
\$ 13,629	\$ 12,897	
Contractholder deposits	16	205
Contractholder withdrawals	(4,244)	(1,814)
Increase (decrease) in net assets from operations attributable to contractholders	795	2,341
Change in net assets attributable to contractholders	(3,433)	732
Net assets attributable to contractholders - end of year	\$ 10,196	\$ 13,629

Indexed Canadian Equity Fund (TDQC) SF120

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	2017	2016
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 795	\$ 2,341
Adjustments		
Realized (gains) losses	(1,098)	(429)
Unrealized (gains) losses	407	(1,700)
Gross proceeds of disposition of investments	4,555	2,315
Gross payments for the purchase of investments	(194)	(516)
Change in distribution income of underlying mutual fund	(279)	(398)
Change in due from/to The Canada Life Assurance Company	—	(4)
Change in due from/to brokers	40	(23)
	4,226	1,586
Financing Activities		
Contractholder deposits	16	205
Contractholder withdrawals	(4,244)	(1,814)
	(4,228)	(1,609)
Net increase (decrease) in cash, short-term deposits and overdrafts	(2)	(23)
Cash, short-term deposits and overdrafts, beginning of year	(41)	(18)
Cash, short-term deposits and overdrafts, end of year	\$ (43)	\$ (41)

Indexed Canadian Equity Fund (TDQC) SF120

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
TD Emerald Canadian Equity Index Fund Class B	235,683	7,604	10,238
Total Investments		7,604	10,238

Top 25 Holdings

Security Description	% of Total
Royal Bank of Canada	6.63%
The Toronto-Dominion Bank	6.03%
The Bank of Nova Scotia	4.37%
Enbridge Inc.	3.69%
Canadian National Railway Co.	3.44%
Suncor Energy Inc.	3.39%
Bank of Montreal	2.90%
BCE Inc.	2.45%
Canadian Imperial Bank of Commerce	2.43%
TransCanada Corp.	2.41%
Manulife Financial Corp.	2.31%
Canadian Natural Resources Ltd.	2.18%
Brookfield Asset Management Inc.	2.12%
Canadian Pacific Railway Ltd.	1.48%
Sun Life Financial Inc.	1.41%
TELUS Corp.	1.27%
Alimentation Couche-Tard Inc.	1.26%
Magna International Inc.	1.08%
Waste Connections Inc.	1.05%
Rogers Communications Inc.	1.03%
Pembina Pipeline Corp.	1.02%
Potash Corp. of Saskatchewan Inc.	0.97%
National Bank of Canada	0.96%
Barrick Gold Corp.	0.94%
Agrium Inc.	0.89%

Indexed Canadian Equity Fund (TDQC) SF120

(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance. Portfolio units are allocated to each category as described in note 4 and are not included on this page.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Generations/Mosaic	129,380	145,454	169,550	197,248	236,216	3,218	3,407	3,371	4,396	5,408
Generations I	4,004	3,948	7,204	7,102	12,483	57	53	82	91	148
Group	207,711	326,878	368,430	438,938	443,882	—	—	—	—	—

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Generations/Mosaic	24.87	23.43	19.88	22.29	20.72	1.44	3.55
Generations I	14.26	13.43	11.40	12.78	11.88	0.83	2.03
Group	—	—	—	—	—	—	—

Indexed Canadian Equity Fund (TDQC) SF120

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The Indexed Canadian Equity Fund (TDQC) SF120 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2017. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

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Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed on a periodic basis, if any changes in criteria or circumstances exist.

b) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry. The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

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Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Canada Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

d) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as fair value through profit or loss.

f) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

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Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Indexed Canadian Equity Fund (TDQC) SF120

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

k) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

l) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

m) Presentation Currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

n) Future Accounting Policies

IFRS 9, Financial Instruments

In July 2014, the IASB issued a final version of *IFRS 9, Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued *IFRS 15, Revenue from Contracts with Customers* (IFRS 15), which replaces IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

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Notes to the Financial Statements
(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at fair value through profit or loss. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into categories of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under these different options:

- Emperor,
- Flex,
- Generations/Mosaic,
- Generations I,
- Generations II,
- Generations Core,
- Prestige/Prestige Plus, and
- Private Collections.

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Notes to the Financial Statements

(in Canadian \$ thousands)

4. DESCRIPTION OF UNITS (continued)

In addition to the Individual units, units are available for:

- Option S1R 75/75 guarantee policy,
- Option S1HB Preferred Series 1 (PS1) 75/75 guarantee policy,
- Option S1HU Preferred Series 2 (PS2) 75/75 guarantee policy,
- Option S2R 75/100 guarantee policy,
- Option S2HB PS1 75/100 guarantee policy,
- Option S2HU PS2 75/100 guarantee policy,
- Option S3R 100/100 guarantee policy,
- Option S3HB PS1 100/100 guarantee policy, and
- Option S3HU PS2 100/100 guarantee policy.

Group units are available to Canadian Group Registered and Non-Registered Plans, Group Registered Retirement Savings Plans, Deferred Profit Sharing Plans, and certain Money Purchase Plans.

The categories of units, and the various levels within each, are accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated proportionately to each category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trusts. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

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Notes to the Financial Statements

(in Canadian \$ thousands)

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

The NAV per unit for group contractholders has not been shown because it will vary for each sub-class within the group contractholder class based on negotiated expense levels and other factors.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group Inc. and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

- a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.
- b) The amounts shown as "Due from (to) The Canada Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.

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Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2017. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds' ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The Fund's investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification.

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(in Canadian \$, except number of units outstanding)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio (%)⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Generations/Mosaic	2.74	2.75	2.74	2.75	2.75
Generations I	2.74	2.77	2.74	2.75	2.75

Portfolio Turnover Rate (%)⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	1.66	4.18	3.51	6.09	9.19

(1) The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

(2) The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.